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Commission 'Condemns' FYROM 'Criminal Act'

AU2202142295 Tirana TVSH Television Network in Albanian 1900 GMT 21 Feb 95

[Report by Gezim Qinami]

[FBIS Translated Excerpt] [Passage omitted] The Foreign Policy Commission of the People's Assembly discussed at length the new situation in the relations with the Former Yugoslav Republic of Macedonia [FYROM] following the criminal act of 17 February in Recice e Vogel in Tetovo, in which a young Albanian was killed and more than 15 others wounded. It has been reported that the Macedonian police forces brutally fired on peaceful demonstrators who had gathered on the occasion of the opening of Tetovo university.

The commission harshly condemned this criminal act, which serves neither the stability that is so very necessary in the former Yugoslav Republic of Macedonia, nor good-neighborly relations between the two countries, nor the interests of peace and stability in the Balkan region. [passage omitted]

Zhulali on Developing Relations With Greece

AU2202154395 Tirana TVSH Television Network in Albanian 1900 GMT 21 Feb 95

[FBIS Translated Text] A spokesman for the Defense Ministry reports that Defense Minister Safet Zhulali received at a special meeting Colonel Aleksander Ksiros, the Greek military attache in Tirana, on the occasion of the colonel's starting work in Tirana.

In the name of the Greek defense minister, Ksiros first invited the Albanian defense minister for a visit to Greece and favored the possibility of our army's participation in joint training.

Assessing the positive steps in the relations between our two countries, Defense Minister Zhulali expressed his readiness to boost these relations further, stressing the understanding, seriousness, transparence, and reciprocal interest in establishing good bilateral relations.

Zhulali further underlined the need for prudent steps in the process of the development of these relations, stressing the fact that problems should not be overlooked but that we should insist that they be resolved, such as the one regarding borders and relevant signs.

Concluding, Mr. Zhulali confirmed that in the framework of undertaking positive steps in the future and resolving the remaining problems step by step, the Albanian side will present the necessary positive reflections to the interest of relations between our two countries.

Zhelev on Caspian Pipeline, Ties to Turkey

NC2202093195 Ankara TURKISH DAILY NEWS in English 17 Feb 95 p A4

[FBIS Transcribed Text] Washington—In the United States on an official visit, President Zhelyu Zhelev of Bulgaria told the TURKISH DAILY NEWS that his country was currently working on a pipeline project that would deliver the Caspian Sea oil carried from the Russian port of Novorossiysk to the Aegean via Greece.

The pipeline is considered as one of the several alternatives to deliver Caspian oil to the Mediterranean region. Talking at a National Press Club press conference, the Bulgarian president said "the oil pipeline (in question) is at a very early stage (of) feasibility studies on the project. We would like to find out which is the best way for us to go. But I can say one thing here: no matter how this project will materialize, one thing I can guarantee is that the consideration will (be made) not on political or ideological grounds but in terms of our own economic interests."

Also commenting on the good relations Bulgaria is having now with Turkey after settling the ethnic conflict of the Zhivkov period, he said "We have better relations with both Greece and Turkey, better than they have with each other."

The Bulgarian president continued "Our relations with Turkey have been very good since 1989 and they've been upgraded since then," Zhelev said. "We have signed treaties of cooperation (with Turkey). We are also maintaining a very active military cooperation. We have a good relations with Turkey and I don't see any shadow coming over them." Zhelev said such cooperation was very important for stability in the Balkans. "I don't see why such relations will be soured," he said.

In response to the observation that Bulgaria was once a haven for various Turkish extremist groups and the question of how far current Turkish-Bulgarian cooperation went on counterterrorist issues, Zhelev said "We can definitely say that no terrorist organizations are harbored in Bulgaria... We wouldn't do that against any neighboring countries. Moreover, we have a number of bilateral agreements with our neighbors which are binding on us. These are agreements for prevention of terrorism and for cooperation in anti-terrorism and fighting narcoterrorism and narcotics trafficking."

During his presentation, Zhelev put great emphasis on the expansion of NATO and expressed his country's desire to become a part of NATO soon. European membership would take much longer, he said, due to the fact that the Bulgarian economy was not yet ready to compete with Europe. He also expressed his concern that if they became a NATO member too soon that might whip the neofascists in Russia into action. "If the United States could vouch for us (against such a threat) we would become a NATO member tomorrow," he said.

He said he wanted NATO membership "not because it is fashionable" but because there was no guarantee that the war in Bosnia would not escalate and affect Bulgaria as well.

Zhelev added that he did not discuss with President Clinton any timetable for accession to NATO.

Zhelev Sends Amendments Back to Legislature

AU2202203195 Sofia Khorizont Radio Network in Bulgarian 1700 GMT 22 Feb 95

[FBIS Translated Text] On 22 February President Zhelev issued Decree No. 32 by which he returned to the National Assembly for a new debate the Bill on Amendments and Addenda to the Real Estate Property Restitution Bill, adopted by the 37th National Assembly on 9 February 1995.

The following is the related statement for the national mass media, made by Valentin Stoyanov, President Zhelev's spokesman.

[Begin Stoyanov recording] Zhelyu Zhelev, president of the Republic of Bulgaria, has returned to the parliament for a new debate the Bill on Amendments and Addenda to the Real Estate Restitution Bill with the clear awareness that the problem cannot be resolved rapidly with one strike.

The amendments to the bill that have been adopted simply postpone the problem's solution, and this is the easiest attitude. The amendments do not envisage any commitments on the part of the cabinet and the municipal authorities in resolving the housing problem of thousands of Bulgarian citizens, who face the risk of being left on the street. The amendments also do not envisage any commitment of the authorities to the owners, who have the right to dispose of their property.

Both sides will be forced simply to wait, thus facing the risk that the length of the period of waiting would be undetermined, and the chance of their problem to be settled justly and legally considerably smaller.

Extending the term to three years also applies to real estate property now utilized as kindergartens, schools, and health establishments, as well as cultural monuments. Also in this case the competent state authorities have not taken the necessary steps in the past three years for correctly implementing the Restitution Bill.

The new three-year extension again does not envisage any guarantee of the rights of the owners and the tenants. No program is envisaged on the basis of which the executive power and the municipal authority would satisfy the interests of thousands of Bulgarian citizens.

Resolving the problem presupposes a serious analysis of much information on the part of the members of the National Assembly, in order to find the correct solution.

This is a part of the arguments with which the president of the Republic of Bulgaria opposes fully and as a matter of principle the amendments to the Restitution Bill, and returns them to the National Assembly for a new debate. [end recording]

Videnov Holds Meeting To View Economic Revival

AU2302122495 Sofia DUMA in Bulgarian 20 Feb 95 pp 1-2

[FBIS Translated Text] It would be disastrous if large state banks were to fail, and this cannot be permitted, Prime Minister Zhan Videnov told journalists. However, Videnov claimed that insolvency documents had been prepared for private banks that service the transportation and energy industry sectors. One of the key issues discussed during the talks with the IMF and World Bank representatives at the Boyana Residence was the state of the Economic Bank and Mineralbank, Professor Todor Vulchev [governor of Bulgarian National Bank, BNB] stated on Bulgarian National Television yesterday. Vulchev said that a decision will have to be adopted quickly to solve their problems, for which political will is needed. According to Vulchev, four or five private banks have a liquidity crisis, and they will go bankrupt if the BNB applies pressure to them. However, Vulchev said that the BNB will accept the banks' plans and will offer them support and advice. He said that three of the banks concerned can be set back on their feet. Only one or two are in real difficulties, but there are hopes for them too. He said that the BNB should not provoke insolvencies of commercial banks, but should assist banks that are in difficulty and can be saved with their liquidity problems.

Over 250 managers of state companies and private entrepreneurs responded to Prime Minister Zhan Videnov's invitation to meet him at the Council of Ministers on 18 February to discuss the alternatives for reviving the economy. The businessmen's demands were mainly concerned with lack of circulating capital, bad credits, fuel shortages, lost markets, undifferentiated taxation policy, and the chaotic state of import-export regulations. The plant managers said that despite the many years' delay in modernizing the electronics sector, the branch still has the chance of restoring its high-technology production. In their view, the way to achieve this is to differentiate the duties payable on the import of finished computers and telephones from those payable for the import of product components. They believe this would create jobs in Bulgaria and revive production.

During the last few years, the output of the military-industrial complex has fallen almost 60 percent, Iliya Gunchev, chief of Metalkhim Holdings, reported. In his opinion, political dismissals killed off a number of production lines and caused foreign exchange revenues to dry up.

Nikola Kramarski, chief of Rudon-Iskur, said that the unrestricted export of timber and waste paper until last year had deprived enterprises of the pulp and paper industry of raw materials. He believed that the export duty on raw materials introduced under Council of Ministers Decree No. 306 of 1995 would lead to a 10 percent increase in the sector's output this year.

Deputy Prime Minister Kiril Tsochev contested the demand made by Neftokhim Executive Director Stefan Nedelchev for the State Fund for Reconstruction and Development to grant funds for reconstruction and development of the petrochemical industry. Tsochev explained that the new methods for calculating liquid fuel prices had been developed on the basis of purchasing crude petroleum from the Mediterranean. In fact, Neftokhim is buying crude at lower prices from other regions and includes high production costs when calculating the price.

Prime Minister Zhan Videnov gave an assurance that the cabinet team was preparing a "brain trust offensive" involving the leading Bulgarian companies, aimed at developing the faint signs of economic revival into long-term economic growth by changes in ownership, in the style of business activity, in technological equipment, and in the state's attitude to the problems. He appealed to the economic leaders and private businessmen to engage actively in the tripartite dialogue, using the economic chambers of the industrial sectors and employers organizations as intermediaries. The prime minister said the problem will be solved by a powerful injection of 10 to 20 billion leva that will be released through the settlement of mutual obligations.

Zhan Videnov added that the government wants the chamber of every branch of industry to submit to the cabinet within 15 days its proposals on changes in foreign trade regulations and business programs.

Zieleniec Meets Canadian Counterpart in Ottawa

LD2202185995 Prague Radiozurnal Radio Network in Czech 1500 GMT 22 Feb 95

[FBIS Translated Text] Foreign Affairs Minister Josef Zieleniec is continuing his visit to Canada, which is in its last day today. Our special correspondent Klara Stejskalova reports from Ottawa:

[Stejskalova] Meeting his Canadian counterpart, Andre Quellet, the two foreign ministers talked, above all, about the current international situation. The agreement on cooperation in peaceful use of nuclear power, which the two ministers signed today, should contribute toward deepening mutual bilateral relations. Thanks to it, our countries will exchange nuclear technology and other scientific information. Within the foreseeable future, Canada and the Czech Republic will begin implementing joint ventures for the use of nuclear power in health care, agriculture, the uranium industry, and in generating electricity.

The visit will culminate in a meeting with Canadian Prime Minister Jean Chretien in the afternoon.

Expectations for New Year Rather Subdued

95CH0108C Prague PROGNOSIS WEEKLY in English 11 Jan 95 p 2

[Unattributed article: "Czechs Aren't Hopeful, But Not Worried"]

[FBIS Transcribed Text] Czechs are perhaps not overly hopeful about what 1995 holds in store for them, but among Europe's post-Communist states, at least they're the least pessimistic, a recent poll shows.

Czechs came out looking considerably less positive than their Western neighbors, with almost half saying they do not think that 1995 will be any better or any worse than the previous year, a Gallup Institute poll found.

Forty-three percent of Czechs gave this blase response to the poll, which included 46 countries worldwide. But among the post-Communist European states, Czechs were the least pessimistic, with only 27 percent saying they think that 1995 will be worse. Fifty-four percent of Slovaks expect a less happy 1995. In the region, only the Hungarians were more worried.

Among states from the European Union, 40 percent of people expect this year to be better.

Czechs also showed that they don't subscribe to doomsday scenarios, which are more popular in Western Europe. Only nine percent of Czechs think that the world may get into another international conflict in next few years. People in Western Europe and the United States are much more concerned, where 20 to 25 percent of respondents expressed worries about World War III.

Republic To Join European Research Program

95CH0096A Prague CESKY DENIK in Czech 22 Dec 94 p 1

[Unattributed article: "The Czech Republic Will Join the EUREKA Program"]

[FBIS Translated Text] *Prague—The government has voted to approve a proposal for the Czech Republic to join the EUREKA [European Research Cooperation Agency] program. This is noted in a communique from yesterday's session of the Czech cabinet. The EUREKA program came into being in 1985 as an intergovernmental all-European initiative.*

The founding members include 19 European countries. The projects resolved within the framework of the program must fulfill certain criteria. These include particularly the cooperation of enterprises and research organizations in at least two countries, the attainment of perceptible progress in terms of technological and utility values of the developed product, technological process, or service and the prospects of financial gain based on realization of the project. This year, the Czech Government allocated 8 million korunas in suport of solving projects within the framework of the program. As Svatopluk Halada from the National Information Point of the EUREKA program stated at the beginning of December, the Czech Republic is currently represented in the program only by the State Research Institute for the Protection of Materials in Prague and by the Research Institute for the Forestry Economy and Gamekeeping at Jiloviste.

Decision Made To Move RFE/RL to Prague

95CH0096C Prague DENNI TELEGRAF in Czech 23 Dec 94 p 1

[Article by Miroslav Melichar: "Radio Free Europe Will Be Moving Into the Building of the Former Federal Assembly"]

[FBIS Translated Text] *Prague—The broadcasting station known as Radio Free Europe/Radio Liberty (RFE/RL) will be moving into the building of the former Federal Assembly, together with its employees. This is evident from a rental agreement which was signed this Tuesday. This information was relayed to TELEGRAF by the press spokesman for the Ministry of Finance, Petr Benes.*

On the basis of this agreement, the entire building, including interior furnishings, is being rented through 31 December 1999. RFE/RL will take over all expenses connected with operating the building, which are estimated at approximately 80 million korunas [Kc] per year. Moreover, RFE/RL has promised to leave areas being used by the parliament of the Czech Republic and by the parliamentary library intact. According to a government decision, the amount of the rental was set at a symbolic Kc1 per day. By renting the facility, the Ministry of Finance will save approximately Kc45 million per year in expenditures connected with operation of the unutilized building.

According to Benes, RFE/RL will utilize the facility exclusively for noncommercial activities, particularly for the gathering and dissemination of news, for the arranging of seminars, conferences, etc.

Small Political Parties Face Uncertain Future

95CH0091A Prague RESPEKT in Czech 18 Dec 94 p 3

[Article by Marek Svehla: "For the Small Political Parties, the Time of Dissolution and Merger Has Arrived"]

[FBIS Translated Text] The results of municipal elections were an indication to the dwarf-sized political parties of the bare fact which every realistically thinking person had to realize long ago. Election preferences approaching 1-2 percentage points can result in nothing other than having to dissolve the party. Thus, the elections did a good service for the statewide political scene: They confirmed that, outside of smaller communities in which independent personalities were being elected, the people prefer the large "proven" parties with a clear political program (ODS [Civic Democratic Party], CSSD [Czech Social Democratic Party]) or parties with a well-known ideologically legible past (KSCM [Communist Party of Bohemia and Moravia], KDU-CSL [Christian and Democratic Union—Czech People's Party]).

The most interesting among the threatened parties is the KDS [Christian Democratic Party], which is a legible party with an unchanged position. The Christian Democrats, equipped with successful young politicians like Pilip, Marek Benda, or Lobkowicz, have navigated through both parliamentary elections for the time being, despite miniscule voter support, only thanks to effectively created coalitions. Now, however, even the father of the party, Vaclav Benda, does not conceal the necessity for having a realistic view when he proclaimed that "the party cannot exist in and of itself." However, a merger with another party will be a marriage of convenience in any event, because the KDS can, from its viewpoint, decide only between two evils. It is difficult to say whether the former Catholic dissident Vaclav Benda would be able to better digest being labeled as a populist or being able to tolerate the formal loss of the Christian image within the ODA [Civic Democratic Alliance]. In any event, these parties are the first in line. Only in these parties does the KDS have any hope of influencing the direction of movement by the weight of its voice and not dissolving in the greater unit, as would be the case in the ODS. The KDS is bound to both of these small government parties even by the image of some kind of government opposition and a similarity in views regarding the majority of the sensitive problems (among others, the restitution of church properties).

Another possibility, for example, a merger with the nonparliamentary parties such as the KAN [Club of Nonaligned Activists] and the DEU [expansion not given], can be of interest only for purposes of speculation on the part of journalists and less so for the pragmatic KDS. Following several election failures, the KAN is condemned to its demise and the DEU is taking much too stiff a stand against Klaus's ODS. Moreover, all three together will fail to receive the magic 5 percent of the votes necessary. The DEU will continue to prove to itself more than to the others the legitimacy of its virtually revolutionary struggle outside the reach of parliamentary benches and the KAN will then, with the greatest probability, await the dissolution and scattering within the government parties. It is necessary to add: that this will benefit everyone.

Hasty mergers also lie in store for parties which, for reasons of long-term program input, were fitting themselves into the political center—in other words, the Liberal Socialist Union (LSU) and the Czech-Moravian Party of the Center (CMSS). The chief of the LSU, the former deputy chief of the Slusovice Combine, Frantisek Trnka, who pushed his party-nonparty in the 1992 elections into parliament only by a miracle, has already so admitted himself. The trojka which was allied on the basis of personal political interests (the LSU was originally composed of the Peasant Party, the Greens, and the Socialists) fell apart; voter preferences are inexorably approaching zero—in other words, it is time to swallow another. Anyway, those loyal to Krycera with their failed policy of Moravianism are in the same situation and are not defending themselves in any way. After disputes regarding the party's title, finances, the program, and the staffing of leading functions, we shall thus obviously be witnesses to their quiet demise in parliament, while the remainder of their voters transfer their interests most likely to the CSSD. Those among the more ambitious politicians will then have to clarify for themselves whether they will follow their one-time voters or whether they will depart the scene into civilian life.

After three years of existence, even the Free Democrats (SD-OH) are fighting for mere survival. The election of three of its leaders to the municipal government of Prague is a mighty small success for the ambitious politicians, headed by the former chief of the Czechoslovak Diplomatic Service, and there can thus be no talk of justified contentment. In a situation in which the SD rejected a self-destructive merger with the LSU and the CMSS in the nick of time, their agenda now calls for "collaboration" with the Social Democrats. But even here there is a hitch. The CSSD itself has not thus far clarified for itself what benefits can accrue to it from a coalition with the Free Democrats. For example, the alleged influx of personalities into People's House from the Spalicek facility is a point of dispute. There are no political personalities without the support of voters. The question thus arises as to how the SD could convince the Social Democrats. To the extent to which this does not occur, the Free Democrats can expect another failure in the next elections.

The game to preserve political existence is also being played on the extreme left. Following the demise of the postcommunist Left Bloc (LB) and the Party of the Democratic Left (SDL), the communist voter lost his awareness of the apostates and the latter thus found themselves virtually completely without any voter preferences. It became clear that the monolith of communist voters only has an ear for the attribute "communist"—and not even 24 delegates of the Left Bloc can alter this situation. For this reason, Grebenick's Communists, who are supported by municipal mandates, clearly do not even contemplate offering the "traitors" any kind of coalition. Similarly, the Social Democrats are not interested in hitherto not-debolshevized postcommunists, as Deputy Chairman Grulich recently stated. To the extent to which Ortman and company will want to at least save part of their position, they must try to turn directly to Chairman Milos Zeman, who will probably not insist on debolshevization. In the event the LB and SDL disintegrate and in the event some of them individually join the CSSD, they will most certainly find open arms in the person of Zeman.

Government To Extend Compensatory Service

95CH0096B Prague CESKY DENIK in Czech
22 Dec 94 p 1

[Article by Daniel Mericka: "The Government Is Proposing To Extend Alternative Civilian Service To Double the Length of Basic Military Service"]

[FBIS Translated Excerpt] *Alternative civilian service is supposed to be twice as long as basic military service. This information was provided by Prime Minister Vaclav Klaus, who said that this was based on the proposed amendment of the law on civilian military service, which had been approved by the government.*

The approved proposal of the amendment of the law on civilian service will have the result that an applicant for civilian service will have to, in the future, figure on serving two years in civilian service as opposed to the present 18 months. As Klaus stated further, an applicant will have to justify his unwillingness to perform military service before a commission established by an okres-level office. "I believe that it is fair for the applicant to state that he is not prepared to defend this country. We consider it to be fair for him to be able to defend this viewpoint," said the prime minister. According to Klaus, the government is disturbed by the number of applicants for alternative civilian service; the readiness of young men to defend the republic is considered by the government's ministers to be one of the fundamental civic duties. Part of the government proposal for the amendment is also the expansion of institutes and enterprises where it will be possible to serve the alternative civilian service. The government is proposing to expand this group from exclusively state-operated enterprises to all institutions and enterprises which are financed from the public budget. The work performed in these areas is expected to continue being predominantly of a physical nature. [passage omitted]

Report on Monetary Policy Covers Part of Year

95CH0106B Prague FINANCE A UVER in English
No 44, 1994 pp 704-712

[Abstract from "Report on Monetary Development in the First Half of 1994," approved by the Bank Board of the Czech National Bank on 22 September 1994: "Monetary Policy and Monetary Development in the First Half of 1994"]

[FBIS Transcribed Text] The basic aim of the CNB monetary policy for 1994 is *to ensure the internal and external stability of the currency*. Under 1994 conditions this means to try to keep the inflation rate under 10 percent and to maintain a stable exchange rate for the Czech crown vis-a-vis freely convertible currencies as the main stabilising anchor of macro-economic balance during the transformation period. Monetary developments in the first half of 1994 indicate the accomplishment of these basic aims. Inflationary development measured by the consumer price index amounted to four percent over the first half of the year. The balance of payments development to date enables continuation of the policy of a stable nominal exchange rate of the Czech crown.

The 1994 CNB monetary policy is also founded on the regulation of *a basic monetary interim target*—the money supply as defined by the monetary aggregate M2. This year, estimates of its growth are grounded on an anticipated slight increase in the gross domestic product and an inflation rate under 10 percent. However, money supply regulation is effected only by indirect methods of management. The CNB methods of monetary management include a stable foreign exchange rate, CNB basic interest rates (discount and Lombard), minimum reserves requirement, refinancing and open-market operations. When evaluating the adequacy of the monetary development, the CNB also considers supplementary monetary aggregates, especially developments of credit, net foreign assets and net credit to government. The overall developments of the economy and velocity of money are significant criteria. The monetary development in the first months of the monitored period was especially influenced by a strong *inflow of foreign resources*, which increased the liquidity of commercial banks and their possibilities to issue credits. The CNB was forced to continue to partially *sterilise the free reserves in the banking system* in the interest of keeping the growth of the monetary aggregate within the range of the CNB monetary program. As in 1993, sterilisation was carried out through the issue of CNB bills, T-bills and NPF bills.

However, the growing influx of foreign resources continued to be accompanied by commercial banks' credit activities driven by their shareholders' interests. This caused the development of M2 to deviate from the monetary programme at the close of the first six months. On the basis of an analysis carried out, this development of the money supply, and especially, anticipation of its continuation, appeared to be a possible impulse to future inflationary development. This led the CNB, at mid-year, to change the amount of *minimum reserves requirement* (MRR) for demand deposits from 9 percent to 12 percent, effective August 4 this year.

An adjustment in the Lombard rate was another change implemented. The rate was lowered from 11.5 percent to

10.5 percent (effective April 8 this year) following stable price development and the overall interest rate trend on the money market. The change in the Lombard rate was aimed at reducing the difference between the two main rates, discount and Lombard.

In addition, further adjustments to the monetary instruments were carried out to continue implementation of CNB measures *to gradually improve money market management*. Effective March 1 this year, the CNB shortened to 14 days the cycle for maintaining the amount of minimum reserves requirement in order to make them more even and indirectly reduce the fluctuation of free reserves in the banking system and the volatility of interest rates on the inter-bank deposit market. In June, a gradual increase in the percentage of coverage by securities of drawn refinancing credits was completed. This means that refinancing credits are only extended against a 100 percent coverage by securities.

The sufficient liquidity in the banking system, the CNB policy in the money market and other factors such as foreign bank competition, resulted in a *gradual decline in interest rates* on the inter-bank money market. The average interest rate PRIBOR charged on three-month loans dropped over the first half by one percentage point against the close-1993 and the interest rate on one-year loans by 3.1 percentage points. Interest rates on new credits extended by commercial banks recorded a downward trend. In the period under review they declined by 2.2 percentage points. The resulting margin of commercial banks decreased by 1.2 percentage points, while interest rates on client deposits remained virtually unchanged and those on credits fell.

Despite the fact that favourable price development and ongoing inflow of foreign resources generate some expectations of revaluation, the CNB does not intend to adjust *the Czech crown exchange rate vis-a-vis freely convertible currencies*. The equilibrium of the balance of payments current account is a basic starting point for a policy of maintaining a stable nominal exchange rate of the Czech crown against freely convertible currencies. The development of the capital account is creating favourable preconditions for the liberalisation of capital flows. February's relaxation of the obligation for foreign exchange residents—juridical persons and entrepreneurs to offer foreign exchange means was one of the gradual steps taken *to expand Czech crown convertibility*. This measure liberalised entrepreneurs' possibilities to establish foreign exchange accounts and led to the expansion of commercial banks' services so as to hedge against exchange rate risks.

Development of Monetary Aggregates

Over the first half of 1994, *the monetary aggregate M2* developed as in previous years of transformation which were characterised by a decline, or slowing of growth in the first quarter, and renewal of more rapid growth in the second quarter. Unlike the same period last year, M2 developed more rapidly, and led to a generally higher than expected increase of 3 percent. During the first half of the year, the year-to-year increases in M2 exceeded last year's level by more than 20 percent.

In contrast to the M2 decline in the first quarter last year, M2 this year recorded a slight increase (+ 1.2 percent against the close-1993). In the following quarter M2 grew much faster (+ 5.3 percent against March 31 this year) and its total increase from the beginning of this year amounted to 6.7 percent.

This different tendency of M2 *in 1993 and the first quarter of 1994* can be attributed to the absence of transformation shocks at the start of this year. Last year's fundamental changes, the implementation of a new tax system and the split of the CSFR, provoked an initial restrictive monetary policy because of the potential monetary riskiness of the expectations of these changes. The subsequent more rapid M2 growth in the second quarter in both monitored years was particularly caused by further increases in the inflow of foreign resources and domestic credit issue. The share of these basic *resources in M2 growth* is levelling of very quickly. In particular, the influx of foreign resources grew continuously and was significantly higher compared to the previous year. While the increase of foreign resources amounted to CZK 20.7 bn in the first half of 1993, this year it totalled CZK 47.6 bn.

The dynamic growth of this resource (from an autonomous monetary management point of view) resulted from a persistent flow of receipts from tourism, a growing influx of incomes from the sales of securities to non-residents on the domestic and foreign capital markets, and increased drawing of credits abroad by Czech firms to finance domestic needs. The volume of domestic credit issue, particularly to enterprises, gradually increased. Credits to enterprises and households rose CZK 21.5 bn in the first quarter of this year, as against the close-1993, and CZK 32.1 bn in the second quarter compared to the first quarter.

Though the money supply growth from these resources was to a certain extent excluded by the steadily declining government indebtedness (not only in the first quarter of this year) and by other net item growth (strengthening of banks' capital, reserve funds, etc.), the effect of these factors was not sufficient to adjust M2 development to the anticipated course.

The total M2 growth in the first half of this year, as in the same period last year, was accompanied by a slower increase in M1 (+ 3.5 percent from the year beginning). This slower growth in transactional money, compared to quasi money (time deposits + foreign exchange deposits) was a result of both seasonal and long-term factors.

The impact of seasonal factors was felt throughout the first quarter, when demand deposits in the enterprise sector recorded a fall during tax payments for the previous year to the state budget. Following the decline in demand deposits in the first quarter, in the subsequent period these deposits rebounded (+ 12.4 percent in the second quarter over the first quarter). Despite this, the growth rate of demand deposits during the first half did not match that of quasi money. Development of specific components of the enterprise sector's money assets indicates that the cause of this development is connected to an increased demand for currency and the gradual generation of money reserves.

The reason for the enterprise sector's renewed demand for transactional money in the form of *currency in circulation* following the currency separation is obvious. In fact, it is the need to execute certain volumes of payments in cash as prevention against the potential payment insolvency of some trade partners.

The tendency for *the enterprise sector* to increase its share of *longer-term deposits* can be explained by the gradual generation of money reserves by entrepreneurial subjects who had favourable results in their activities. *The time structure* of these deposits, however, indicates that it is predominantly money reserves which will be used, should there be possible advantageous financial or real investments. Time deposits up to one year, which represent more than half of the enterprise sector's time deposits, are a decisive element. This relatively high proportion was substantially affected by the decisive share of one-year deposits in the overall increase in the enterprise sector's time deposits.

Though *the household* sector over the first half this year did not register any substantial changes in demand for specific money components, a moderate tendency to hold long-term money assets is evident. As the results of opinion polls show, the main stimulus for savings by households is to create financial reserves for job loss. In generating these reserves, households prefer Czech crown deposits to foreign exchange ones. The stagnation, or rather slight fall in foreign exchange deposits, can be attributed to the increased confidence of individuals in the stable Czech crown and the subsequent orientation towards the criteria of interest rates advantages of specific types of money depositing.

The demand for particular money components in the period under review is indicative of the stabilised behaviour of economic subjects, free from any negative monetary expectations. This is documented not only by the stagnation of foreign exchange deposits by households, but as well by the gradual growth of time deposits.

Credits

Despite rapidly growing foreign resources, the increase in domestic credits remained the most significant factor in the money supply growth in the period under review. However, the share by these resources is gradually levelling off.

The growth in *total credit issue of the banking system to economy* was determined by the growth in credits to enterprises and households (CZK + 53.6 bn) since the net credit to government, including received foreign loans, continued to decline. Against close-1993, this decline amounted to CZK 12.8 bn. This decline was affected by a number of factors—especially by the surplus of the state budget current performance, by the decrease in state financial assets, increased volume of temporarily unallocated taxes to appropriate municipal authorities and growth in temporarily unused financial resources of municipal bodies. The net position of the National Property Fund deteriorated because of a decrease of CZK 5.9 bn in the surplus. Total domestic credits thus rose CZK 46.7 bn (6.5 percent) against the close-1993.

However, domestic credit issue is no longer the only method of acquiring needed resources by the entrepreneurial sector. Other methods are used to obtain new credits more economically advantageous to enterprises. On the basis of the CNB foreign exchange licence, since 1993, *loans by domestic firms from foreign institutions* have developed quite dynamically. The advantage of these loans consists not only in the lower interest rates, but the longer maturity as well.

The gradual development of the capital market and stabilisation of the enterprise sector create conditions for wider use of other, as yet rarely used, forms of enterprise sector financing, in particular, *the issue of enterprise bonds*. Seven issues permitted in the first half this year amounted to more than CZK 7.0 bn. A further increase in these bonds is expected by the end of this year. Starting in the second half of this year, a reduction from 1.0 percent to 0.2 percent in the administrative fee for the bond issue permission should contribute to an increase in this kind of bond. It is obvious that this is the beginning of a gradual increase in competition between banks in the reallocation of primary deposits.

The structure of the credit recipients in the enterprise sector continues to be *dominated by the private sector* which shared 55.4 percent of the total credit position at the close of the first half. This development reflects changes in economic ownership relations in the economy and the ongoing support of this sector by banks.

Credits are *allocated to specific industries* according to their performance and in some cases, in connection with a transition to other mentioned forms of financing. In the first six months, credits increased particularly in transport, storage, tourism and telecommunications (+ 16.2 percent); in food industry (+ 18.7 percent); trade, sales, catering, restaurants and accommodation (+ 8.8 percent); construction and building industries (+ 5.7 percent). Conversely, a *decline* in domestic credits was recorded in the mining of raw materials (- 12.7 percent), textile, clothing and leather industries (- 1.9 percent).

An increase in *credits to privatisation*, which, in previous years, substantially stimulated the fledgling private sector, became a matter of credits to large-scale privatisation since small-scale privatisation had ended. The overall change in credits to privatisation, especially large-scale, indicates that bank participation in small-scale privatisation was considerably higher with regard to the volume of property privatised during large and small-scale privatisations. This is a result of the especially more difficult access to long-term credits from domestic banks. According to the position as of the end of June this year, credits to privatisation totalled CZK 27.9 bn, of which CZK 19 bn was granted to large-scale privatisation and CZK 8.9 bn to small-scale privatisation.

The shift of the privatisation process towards large-scale privatisation resulted in the strengthening of long-term credits in *the time structure of credits for privatisation*. As a consequence, in the first half of this year the share of medium-term credits fell by 9.6 percentage points to 52.7 percent against the close-1993, while the share of long-term credits increased by 9.2 percentage points to 40.9 percent.

Short-term credits (41.1 percent) continue to prevail in *the time structure of the total crown credits* extended to the enterprise sector. Although their share in the first six months moderately decreased (- 0.6 percentage points) in favour of medium and long-term credits (28.8 percent and 30.1 percent, respectively), this was not connected to the change in commercial bank policy of granting new credits. Short-term credits continued to dominate here. This structural change was obviously a consequence of the restructuring of previously extended credits and the time structure of due credit payments.

The short-term credit share of new credits rose to 77.3 percent during the first half of this year. This ongoing trend has been influenced by *factors* both on the *enterprise* side (the quality of projects requiring credits, a preference for addressing the latest operational problems, the quality of management, etc.), and on the part of *commercial banks* (in addition to the shortage of long-term resources in financial institutions, the prudential behaviour of banks in granting credits continues or has even intensified with respect to the increasing risky credits in their portfolios).

In the context of an evaluation of commercial bank portfolios, more attention was given, in the past period, to the monitoring of *risky credits* which posed a problem not only to the state, but to the private sector as well. In the period under review, their development tended towards increase, both in absolute and relative terms (the share of total credits). This was not due to a disregard for the quality of credit provided, but a consequence of their more precise classification in compliance with the new CNB directive.

Over the first six months of 1994, *credit indebtedness by households* developed as it did a year ago. This was documented by a long-term trend characterised by changing periods of stagnation and decline in these credits (- CZK 2 bn in the first half of this year against the close-1993). This trend during the transformation period was brought about mainly by gradually dampening the extension of long-term loans which, until last year, were granted with preferential interest rates (loans to newly married couples, for family house construction, etc.). A renewal of this type of loan can be expected in connection with the development of the activities of newly established savings and loan associations.

Balance of Payments in Convertible Currencies

The balance of payments surplus in convertible currencies continued to grow throughout the entire first half of 1994 (USD + 1.3 bn). This surplus was a result of growing receipts from travel and the ongoing increased foreign capital inflow to the Czech economy. The capital inflow was particularly supported by an improved rating of the CR's investment risk by prestigious institutions and the relatively high differential between domestic and foreign interest rates on credits. In the period under review, the most significant forms of foreign capital inflow to the Czech economy were drawings of money credits by Czech firms directly from foreign subjects and portfolio investments.

As last year, the *service balance* had a significant share in the creation of the *current account* surplus. The service balance ran a surplus of CZK 17.4 bn (USD 589.0 mil.), while the total current account surplus amounted to CZK 18.8 bn (USD 637.0 mil.). The main source of service balance incomes was transport and international travel. *The balance of trade* once more contributed to a growth in the current account surplus in the first half of the year. Though this balance showed a slight deficit of USD 2.8 mil. at the end of the first quarter of this year, in the second quarter this trend changed, resulting in a CZK 1.9 bn (USD 66 mil.) surplus for the first half of the year. Conversely, *the balance of income* deficit grew, influenced by the growing volume of credits drawn abroad (- CZK 2.4 bn, - USD 82 mil.).

The inflow of resources to *the capital account* also showed an upward trend throughout the first half of the year, for the reasons mentioned earlier, and exceeded that of the same period last year (CZK 25.9 bn, USD 875.0 mil. as of June 30 this year). These tendencies were accompanied by changes in the structure of the capital inflow. In the first half of the year, there was a shift away from the resources of official financial institutions to private capital. At the same time there was a change in the time structure towards long-term resources.

The net capital inflow in the form of *foreign credits* drawn by Czech firms grew steadily in the first half of the year and amounted to CZK 15.1 bn at the close of the period under review. Long-term credits, provided particularly by Austria (29 percent), Germany (19 percent), Great Britain (13 percent) and Switzerland (12 percent) created the main portion of these credits which were used mostly for the purchase and reconstruction of real estate. In fact, in many instances these long-term credits replace direct foreign investments; this is in those cases when credits are extended by foreign parent companies to their subsidiaries in the CR.

The amount of net foreign capital inflow in the form of portfolio investments was, in fact, the same as the drawings on credits by Czech firms abroad. At the close of the first six months these portfolio investments amounted by CZK 15.7 bn (USD 530 mil.). As in 1993, the main sources of the increase were the sale of bonds on *the foreign capital market* and the purchase of securities by non-residents on *the domestic capital market*. Receipts amounted to USD 250 mil. from the sale on the foreign capital market of City of Prague bonds. The CNB estimates sales of securities on the domestic capital market by non-residents to total USD 280 mil. The main volume of sales, USD 200 mil., took place in the first quarter of this year.

Direct foreign investments strengthened the overall funds inflow to the capital account. However, the flow of resources to the Czech economy in this form was lower than that over the same period last year reaching USD 300.5 mil. (CZK 8.9 bn), only 79 percent of last year's amount. The total capital inflow of direct investments during the transformation period totalled USD 2.5 bn (CZK 70.4 bn) as of June 30, this year. The decline in direct foreign investments is due not only to the higher number of trades on the domestic capital market, but also to the more prudent Czech evaluation of foreign firm creditworthiness, the quality of their offers and temporising by foreign investors who are waiting for interesting projects to come out of the second wave of voucher privatisation. Part of this decline was the repurchase of Air France capital participation from the CSA and the above-mentioned credit support of direct investments already realised.

Conversely, the development of *direct investments by Czech investors abroad* was exceptionally dynamic. In the first six months, these investments totalled CZK 1.7 bn (USD 56 mil.), triple the amount in the same period last year. Capital exports in this form were directed towards supporting goods exports, ensuring imports, and towards the service area.

The prolonged tendency towards growth of the current account surplus and the inflow of resources to the capital account strengthened the foreign exchange reserves and reduced the need to draw *credits from official foreign institutions*. This made it possible, in February and May, to pay off ahead of schedule the IMF stand-by credit tranches totalling SDR 444.7 mil., USD 622 mil. due in 1994 and 1995. In the monitored period, USD 7.6 mil. (ECU 6.5 mil.), a part of a European Investment Bank loan, was newly drawn in accordance with a 1993 agreement. In this instance, this involves a purpose-oriented loan for financing small and medium enterprise projects which was transferred to the Komercni banka for its realisation.

CNB foreign reserves increased by USD 1,299 mil. in the first half of 1994, thus totalling USD 5,170 mil. as of June 30, 1994. In relative terms, this amount could cover five months of imports of goods and services in convertible currencies. *The foreign exchange reserves of the entire banking system* rose to USD 7,656 mil. at the close-June, reaching the highest level since the beginning of the transformation to a market economy.

Money Market

The development on the money market in the first half of this year was particularly influenced by the following factors:

—the ongoing increased foreign capital inflow,

—the continuing high demand by commercial bank clients for credits,

—a disproportionate distribution of deposits in the banking system (the predominant holders of primary deposits in the non-banking system are large commercial banks),

—a number of new measures by both the CNB and commercial banks to ensure the more operative management of banking system liquidity and thereby also the money market.

From the point of view of potential monetary impacts and claims on current management of monetary development in the first six months of this year, the inflow of foreign capital can be considered the most significant of the above-mentioned *basic factors*. It led to growth in banking sector free liquidity with consequent repercussions on the development of trade volumes and interest rates on the money market. Because most foreign capital inflow headed to major commercial banks, it strengthened the structural imbalance of the resources in the banking system.

This trend in the allocation of the foreign capital inflows was one of the main factors contributing to the growth in trade volumes on the money market and the shift of these trades to commercial banks. This was also supported by a lower volume of CNB refinancing of commercial banks in view of the sufficient liquidity in the banking system.

To maintain the monetary aggregate M2 within the set intentions under the mentioned conditions, the CNB had to continue *to sterilise increased foreign capital inflows* over the whole period under review. The sterilisation of free liquidity was carried out, as last year, through an enlarged issue of CNB bills, T-bills (SPP), and recently, National Property Fund (NPF) bills and free market operations with these securities. The issue of these securities was executed in accordance with a joint issue programme of the Ministry of Finance, CNB and NPF.

T-bills issue increased by CZK 5 bn to CZK 28 bn, in the first quarter, and totalled CZK 30 bn in the second quarter, in keeping with the schedule. The volume of issued CNB bills grew more rapidly when compared to the increasing foreign resources inflow, while the volume of T-bills was relatively stable. In the first quarter, CNB bills increased by CZK 22 bn, the total issue reaching

CZK 60 bn and in the second quarter increased by a further CZK 15 bn. However, this growing number of CNB bills negatively affected the costs and the overall result of the CNB performance. The volume of NPF issued bills was significantly lower, amounting to CZK 16 bn in both first and second quarters.

The major commercial banks showed the greatest interest in the purchase of securities. The average portfolio of short-term securities of these banks rose to CZK 83.03 bn at the close-June during the development of their free liquidity and under the policy implemented by the CNB.

In view of their minimal riskiness, *the interest rates on these short-term securities auctions* fluctuated below the discount rate, with a slight downward trend. This trend reflected the overall development of liquidity and interest rates on the inter-bank deposit market. Interest rates on one-month T-bills fluctuated between 6.52 percent-5.53 percent, on one-month CNB bills between 8.20 percent-7.40 percent and on one to six month NPF bills between 7.50 percent-6.75 percent.

Because of the sufficient liquidity of major commercial banks, *refinancing credits* were provided primarily to small commercial banks and were granted almost exclusively as *discounted commercial bills*. The volume of refinancing credits extended in this form, however, grew very moderately although provided at the discount rate (CZK 5.3 bn in January-CZK 6.9 bn in June). The reason can be attributed to a temporary shortage of acceptable bills and the level of inter-bank deposit market interest rates.

The problems which occurred in the functioning of three commercial banks and the inflow of foreign resources for the benefit of major banks, continued to strengthen the position of the major banks as a dominant creditor with respect to small commercial banks on the inter-bank deposit market. However, from the point of view of interest rate development this factor was not decisive, because the growth in liquidity due to the foreign resource increase (regulated by CNB operations on this market) played an important role as well.

In general, *interest rates on the inter-bank deposit market* were falling. *Interest rates on loans with a maturity longer than one month* showed a stabilised downward trend. In January-June this year, average interest rates charged on one-month loans decreased from 9.07 percent to 6.98 percent and on six-month loans from 9.11 percent to 7.28 percent. *Interest rates on shorter-term loans* were more volatile throughout the whole period under review, the reason being not only the nature and direction of short-term resources use, but the reduction of the time period determined for minimum reserves requirement balancing. The development of these interest rates, since the date of the implementation of this change roughly until May, confirms that it took commercial banks approximately two months to adapt to this change. However, in general, these rates had a downward trend. For example, the interest rates on overnight money fluctuated between 5.38 percent-9.16 percent in January and in June their fluctuation interval shrunk to 4.64 percent-7.48 percent.

The development of the inter-bank deposit market interest rates and tougher foreign bank competition on the domestic money market, manifesting itself through an increased credit issue with lower interest rates, were the main factors which affected the falling trend of interest rates of newly granted credits. While in December the average interest rate on newly provided credits stood at 14.6 percent, in June it dropped to 12.4 percent.

The CNB actively participated in the money market also in the monitored period. The central bank performed its regulatory function within the monetary policy intentions through its function as a *liquidity guarantor of the short-term securities market*. As part of this function, the CNB daily quoted the purchase and sale of T-bills and CNB bills and effected trades with commercial banks in required volumes, thus enabling the better management of CNB and commercial bank short-term liquidity. At the same time it fine-tuned the interest rate level.

Capital Market

In the Czech Republic, trading is possible on the following markets: the Stock Exchange, including direct trades, the RM-S auction (periodical and running), and direct OTC transfers in the Securities Centre (SCP). These markets differ from each other in many ways: by the method and speed of settlement, by price setting, liquidity, costs, price levels and market volume.

From the beginning of 1994 until the start of February the capital market could be characterised as a bull market, followed by a period of stabilisation and from the turn of February and March the situation on the market had a downwards tendency. The assumptions that most liquid Czech shares were overvalued were thus confirmed. The market was at bottom roughly in mid-June, then moderately recovered, however lacked the required increase in liquidity.

The Prague Stock Exchange (PSE) is gradually increasing its frequency of trading. Starting last year with once-a-week trading, at the year-end it was twice a week, and since March 14, 1994, trades have been carried out three times a week. However, more frequent trading does not mean that the time to settle stock exchange transactions has shortened (T + 3).

The trend on the *share* market at close-1993 when prices and volumes of trades skyrocketed due to foreign demand, continued until the beginning of March. On March 10, the CNB-120 Index, through which the central bank monitors PSE activities, reached its top value: 1394 (based on the December 16, 1993 index of 1000). It was already obvious at that time, that prices of many shares were overvalued. The situation on the market changed and trades fell at the same rate. Though the number of traded issues rose, the volumes of trades plummeted. The sharp fall of prices halted at the start of June. During eight sessions the CNB-120 Index rose 21 percent, however, bringing no definitive turnover. Prices immediately declined, fostered by still lower volumes.

The trading fall was felt mainly in low volumes of *direct transactions*. The PSE took some measures in an effort to change this unfavourable fact. The existing 10 percent margin of the final price of all securities in the automated system was extended to + - 20 percent. In addition, the limit of the minimum volume of a transaction in unquoted securities was reduced to CZK 0.5 mil. and CZK 1 mil. in quoted securities.

In view of the downward trend on the riskier share market, investor attention was concentrated on more safety *bonds*. These securities began to play a more significant role after being traded in only a symbolic quantity for a long time. This can be attributed mainly to direct trades with quoted bonds, which, however, can be accessed only by major investors. Both issues of CEZ (Czech Power-Generating Company) bonds, in particular, enjoyed great popularity. Their attractiveness increased after the power company was awarded the "suitable for investing" BBB rating by Standard and Poor's. Apart from CEZ bonds, Komercni banka bonds and T-bills were traded more intensively. However, the increased interest in bonds did not halt the overall trade decline.

The importance of the role played by foreign capital in our economy was confirmed. Our capital market does not dispose of the free financial resource surplus, virtually all savings are deposited in banks. Therefore, the decline in foreign investor demand and its shift to other markets (Russia) can be given as the main reason for the severe capital market depression. A similar development could be observed in Hungary and Poland in the first half of the year. While in the first quarter *portfolio investments* into Czech capital totalled USD 200 mil., in the second quarter they amounted to USD 330 mil., but a substantial part of this amount was earmarked for the City of Prague bond issue (USD 250 mil. due in five years, 7.75 percent interest rate).

A substantial decline in the liquidity of official markets was due to the execution of most of these transactions through *OTC direct transfers in the Securities Centre*. According to some indications, this involves as much as 80 percent of all trades. In the Securities Centre transactions are settled the same day and security traders thus avoid possible delay and higher risk arising from the transfer through the Stock Exchange and its register. The high percentage of trades carried on outside official markets makes the Czech capital market less transparent, which is not a favourable signal for potential foreign investors.

The *RM-System* went through several significant changes in the first six months. The periodical auction was shortened to fortnightly cycles. Since February 2, this year, it is possible to trade in the so called running RM-S auction where trading is carried out three times a week. Events on the periodical auction were similar to those on the Stock Exchange. The March peak, when the RM-S 100 Index reached its highest value of 2828.5, was followed by dampening in both total volumes and price level.

The role of the periodical auction was gradually taken over by *the running auction* which, unlike the Stock Exchange, is accessible to all investors either through commercial papers, modems, diskettes or on-line stations. The fact that trading is carried out in real time (same day settlement) is very important especially for investors. The RM-System also provides an interesting possibility to give combined orders to both auctions (period and running).

A significant part of the RM-System trading (compared to the Stock Exchange) consisted of trading shares of investment funds. However, they showed an imbalance between the share prices and the market value of their portfolio per share, which was also the case of those most liquid shares. The shares of banking funds, HC&C funds and YSE were most frequently traded.

The linkage between the Czech and foreign capital markets became quite noticeable in the first half of the year. *The decrease in both trades and prices* that afflicted most foreign stock exchanges was also evident on the Prague Stock Exchange. In addition to the fall in foreign demand, the decline in the liquidity of markets was also attributable to other factors. They are as follows: the necessity to mobilise CZK 10 bn for a new subscription of Komercni banka and Investicni a postovni banka shares, general meetings of enterprises, the second wave of voucher privatisation and, most of all, the possibility to transfer securities directly over the counter at the SCP. Most trades are thus carried on outside official market organisers.

Inter-Bank Foreign Exchange Market

In addition to the central bank, foreign exchange financial institutions also participate in the inter-bank foreign exchange market (MDT). As of June 30 this year, 35 foreign exchange banks were licensed, which indicates that their number did not change during the first six months. According to the rules effective since 1992, transactions between banks are conducted at the exchange rate of forex fixing or at the market exchange rate. Forex fixing rates are announced daily on the basis of fluctuations of currencies included in the currency basket with a difference + - 0.5 percent. At present, the currency basket is comprised of two currencies which represent the largest share of Czech foreign trade: 65 percent DEM and 35 percent USD.

Most trades on MDT are already carried out directly between banks. Trades within forex fixing then serve only to level off the open forex positions intended to maintain foreign exchange liquidity of the commercial banks. A surplus of purchases and sales at forex fixing reflects foreign resources inflow, in particular through the capital account.

The obligation for foreign exchange residents—juridical persons and entrepreneurs—*to offer foreign exchange means was relaxed* in February, in compliance with the process of freeing Czech crown convertibility. All foreign exchange means accepted from foreign exchange nonresidents with the exception of foreign exchange means acquired from exchange office activities, i.e. collections from exports of goods, services, capital incomes, etc., can be transferred to foreign exchange accounts. Foreign exchange means from these accounts can be used, in principle, for the same purposes from which foreign exchange revenues derive. According to the new rules, foreign exchange account owners can also cover from their accounts commitments against other foreign exchange residents. However, a recipient will receive the amount remitted in foreign exchange means in Czech crowns.

This measure significantly liberalises the possibility for entrepreneurs to establish foreign exchange accounts, however, bringing along some risks. Banks, therefore, are starting to offer various types of new operations to hedge against exchange rate risks. They are as follows: prompt, time, swap and option operations.

Schenk on German Visit, Relations With Russia

LD2202221295 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1730 GMT 22 Feb 95

[FBIS Translated Excerpt] Wednesday is the day of the regular briefing by the Slovak Foreign Affairs Ministry. Foreign Minister Juraj Schenk today informed journalists about his first visit to Germany and the official opening of the International Year of Tolerance. He also spoke about what used to be a taboo subject—the compensation for the Slovak victims of Nazism. Journalists were also interested in his views on the visit of Russian Prime Minister Viktor Chernomyrdin to Slovakia. Jozef Rebo has more details.

[Rebo] [Passage omitted] Juraj Schenk also commented on his visit to Germany:

[Begin Schenk recording] There was no doubt regarding our attempts to join the West European and other structures. On the contrary, all of our attempts in this field were very explicitly and indisputably supported. German Foreign Minister Klaus Kinkel personally appreciated them and thanked the Slovak Republic for a distinct contribution to the preparations of the Stability Pact. [passage omitted]

[Rebo] Asked why it was possible to create so unprecedentedly good relations with Russia, Juraj Schenk said that the talks with Russian Prime Minister Viktor Chernomyrdin in Slovakia had had an unambiguously economic content and that the political dimension was induced, let me quote, by the questions asked at news conferences. The Slovak foreign minister added:

[Begin Schenk recording] Regarding the signed economic agreements, they are genuinely advantageous for both parties and much needed by Slovakia. In this respect, I do not think this is an overstatement. They are agreements that Slovakia really needs. You know, for instance, that the agreement on oil and gas supplies expires this year and that we will have to pay for these commodities in dollars. Therefore, it has been necessary to solve this problem. [Words indistinct], for instance, start doing something about it when we remember that we have 1 billion in uncollectible debts there, and so on. In this respect, in the economic field, a full consensus has been reached. [end recording]

Service Director Submits Resignation

LD2202133495 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1100 GMT 22 Feb 95

[FBIS Translated Text] Slovak President Michal Kovac received Vladimir Mitro's application to be relieved of his post as director of the Slovak Intelligence Service.

According to Jan Findra, head of the Chancellery of the Slovak president, Kovac so far has not expressed his view on the application.

The president of the Republic so far has not received a proposal for the nomination of any other person for the key post of the Slovak Intelligence Service.

Meciar, Balaz Discuss 'State-Church Relations'

AU2202154195 Bratislava PRAVDA in Slovak 18 Feb 95 p 3

[Article by Eva Laukova: "Unceremonious Mutual Confession; Prime Minister Vladimir Meciar and Chairman of Slovak Bishops' Conference Rudolf Balaz Discussed Mainly State-Church Relations"]

[FBIS Translated Text] Banska Bystrica—Prime Minister Vladimir Meciar and the chairman of the Slovak Bishops' Conference, Rudolf Balaz, had a one-hour face-to-face conversation behind closed doors in Banska Bystrica on 16 February, about which the latter said "he could not imagine a more candid talk." They spoke mainly about state-church relations, but they also discussed other issues, during the analysis of which they did not flatter one another....

Prime Minister Vladimir Meciar stressed: "The government is accommodating. Its goal is to help, not to control. Questions related to state-church relations are rather complex at this stage. The church's participation in the renewal of society is indispensable, but, on the other hand, it cannot serve the state. It has an independent mission, which is larger than the mission of political parties and entities that they avow their allegiance to it." As the prime minister went on to say, a system of agreements should be concluded in the future between the state and all churches. The first such agreement should be concluded with the Roman Catholic Church. The prime minister also touched upon the problem of dioceses. In this context, he said that he would be glad if the founding of an archdiocese in Bratislava were resolved before the visit of Pope John Paul II to Slovakia.

According to the chairman of the Bishops' Conference, Rudolf Balaz, the prime minister had explained to him the problem of state-church relations in great detail. They also spoke about the project of a Christian university, the establishment of which the prime minister supports. "The relationship between the Vatican and individual states used to be regulated by the so-called Concordat, which was all-encompassing but contained nothing specific. The Vatican now manages its relations by means of partial agreements. With regard to Slovakia, the specific idea is: Let us establish perfect order in the school system. Once church schools really are of top quality and the position of the church in state schools also reaches a high standard, we will proceed to tackle other issues. The prime minister, too, is in favor of such agreements."

The church's separation from the state is a frequently discussed issue these days. Rudolf Balaz said that it is a terrible social error to think, as even Catholics do, that the church is fantastically provided for financially. In reality, it often has problems paying its bills for the previous month. "If the separation were to be carried out according to the wishes of [Party of the Democratic Left Chairman] Mr. Weiss, it would not be good. We lack the economic foundations for that. I will be frank: This state will not carry out the separation of the church from the state for a simple reason—it does not want to arouse the church's wrath."

In a statement adopted at a meeting of the Bishops' Conference last year, the bishops expressed concern about our sociopolitical situation. Rudolf Balaz said about his dialogue with the prime minister, regarding this statement: "The conversation was so candid that it was almost unpleasant. The prime minister commented on my address at the Bratislava rally on 8 December [held on the occasion of Human Rights Day and marked by anti-Meciar slogans and speeches], while I told him about many other things that are known from the press. Simply, I do not know which of us was the main confessor.... For example, one of the issues we discussed was what sociopolitical conduct should look like, and we also dealt with the question of how the situation around the president will evolve. I suppose there exist no more delicate topics. The prime minister's visit was not ceremonious, but very specific."

Ducky on Army Reorganization, 1995 Budget

LD2202213695 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1730 GMT 22 Feb 95

[FBIS Translated Excerpt] The joint debate of the parliamentary committees, in which Sergej Kozlik, deputy prime minister and finance minister, presented the commentary of the 1995 draft budget to the deputies, was today followed by sessions of individual committees discussing this issue. [passage omitted]

Economy Minister Jan Ducky said during the debate that they wanted to establish a body that would be involved in midterm and long-term research. Because there already are the prognostic and other research institutes, our editor Katarina Belicka asked the economy minister how he justified the launching of a new institution.

[Begin recording] [Ducky] When I spoke about launching a new government institution, what I had in mind was a central institution of the state administration that would gather results from all of the institutions—for instance, from the Prognostic Institute and the Center for Strategic Studies—so that there is official output. So, there is no attempt to substitute anything but to create something new because every institution concentrates on its own business, and there is no institution that would serve our government with framework information giving comparisons with the world. [passage omitted]

[Belicka] [Words indistinct] asked you a question about the arms industry—whether government [word indistinct] support can be expected.

[Ducky] Generally speaking, there are no subsidies planned in the budget, but, naturally, support may come in different ways. First, there is the order from society for these producers' products because as long as we want to enter NATO we have to rearm our Slovak Army to make it compatible with the conditions laid down by NATO. This means new requirements, but we will hardly have the money to throw the old equipment away and buy new. It is likely that we will have to produce most of it. So, I think this has been accounted for.

Naturally, if we have to produce we have to have production of a certain standard. If this production achieves world standards, the products will be bought by our army and the surplus capacity can be used for exports, provided we find a customer. There is no need for prohibitions, the market will decide. We have learned that those who restricted us damaged everything, all their arms production in the country, within four or five years, and today we occupy the 11th if not the worst place in the world's table of arms production. [end recording]

Foreign Minister on Need for Treaties

LD2202223995 Budapest Kossuth Radio Network in Hungarian 1730 GMT 22 Feb 95

[FBIS Translated Excerpt] [Announcer] Today a foreign policy debate was on the National Assembly's agenda. Andras Kerekes reports. [passage omitted]

[Announcer] Our studio guest is Foreign Minister Laszlo Kovacs. [passage omitted] Can the basic treaties be concluded before the conference on European stability, which is to begin in a month? Will you also be able to consult the organizations of the Hungarians living beyond the border as well as the domestic parliamentary parties in such a short time? Is it absolutely necessary to conclude these treaties during this period?

[Kovacs] My duty as foreign minister is to do my best to conclude them, to find the compromises that are still acceptable for the Hungarians living abroad. This means the European standards, norms, which, I add, also represent the maximum that can be achieved. We have to try to conclude them. If we fail to do so, then I am sure that Paris, Brussels, and every other capital that is significant for us will appreciate that the Hungarian foreign policy has done all it can in order to conclude them, and we will not be blamed for any failure.

Therefore, I can say that it is, of course, not absolutely necessary to make the basic treaties. Signing them with any content whatsoever is out of the question.

[Announcer] So you do not insist on them?

[Kovacs] No, we do not. We want to conclude them, but we will not go below certain norms.

[Announcer] What is the basic interest of Hungarian foreign policy regarding integration and the basic treaties to be concluded with our neighbors, for these two things are closely linked.

[Kovacs] Exactly, they cannot be separated. Hungary has no chance to enter either the EU or NATO, and nor have our neighbors, if we cannot settle our disputes between one another in a European manner.

Viewing the issue from another angle, if Hungary and its neighbors are integrated in the EU and NATO, it will definitely improve their bilateral relations, too. [passage omitted]

[Announcer] I think that it might promote our ties with our neighbors if we do not insist [lebegtetjuek] on the border issue and, perhaps I can also say, if we are making serious efforts to sort out the fate of our minorities on the basis of European standards.

[Kovacs] It is absolutely obvious, because Hungary has no moral ground to demand such rights that it fails to guarantee for the Romanian, Slovak, and other minorities living here.

As regards insisting on the border issue, it is a totally senseless thing, because the only thing it can achieve is to damage Hungary's image. [passage omitted]

[Announcer] In your view, what are the chances for concluding these treaties in a month, and if it is not possible when can the treaties be signed?

[Kovacs] I have to repeat that I cannot predict, I can only state our endeavor, and that is aimed at the making of the basic treaties. I cannot give the odds. However, I would like to note one thing: If these treated are not concluded after all, and through no fault of ours, it does not mean that we have to give them up once and for all. The agreement on European stability, which will, according to plans, integrate these bilateral basic treaties represents an open system of agreements. Thus, if the Hungarian-Slovak and Hungarian-Romanian Basic Treaties happen to be concluded only after the Paris conference, they can still be integrated in this international system of agreements, which is also important because it increases the number of guarantee elements. [passage omitted]

MDF's Fur on Survival of Hungarian Minorities

LD2202180595 Budapest Kossuth Radio Network in Hungarian 0843 GMT 22 Feb 95

[Speech by MDF chairman Lajos Fur in response to the speech by Foreign Minister Laszlo Kovacs at the parliamentary debate on foreign policy in Budapest—live]

[FBIS Translated Excerpt] [Maria Korodi, deputy speaker of the Hungarian National Assembly] I recognize Lajos Fur, who is to speak on behalf of the MDF [Hungarian Democratic Forum]. [passage omitted]

[Fur] [passage omitted] There is hardly a responsible politician in Europe today who does not realize that settling the affairs of the approximately 100 million-strong minorities of our continent, one-eighth of Europe's population, is the basic problem of the century. [passage omitted] For us, however, the survival of the Hungarian minorities, which are an inalienable component of the European demographic makeup, is a question of survival, too. We cannot overstate the situation because our case is indeed dramatic. [passage omitted]

Facts show that during the past 75 years since the Trianon peace dictatem the size of the Hungarian minorities in neighboring countries, which in 1920 was still 3.3 million, has decreased to 2.8 million by 1990—according to the official statistics of neighboring countries. This is a decrease by almost one-fifth, and it took place while the majority peoples living with the Hungarian minorities in Transylvania and Vojvodina have grown twofold or threefold—and in the case of southern Serbs, fivefold—in number. [passage omitted]

This result is shocking. I dare say that apart from the Catalans of the Middle Ages, the Armenians of Turkey, and the Holocaust of the Jews in modern times, there is hardly a precedent in the European peoples' history for intolerance of ethnic groups and lack of the necessary protection of minorities to have caused such a destruction in minority population groups. [passage omitted]

The new government, before coming to power, promised quick results in establishing good relations with neighbors. Since then, it has become clear that, like their other loud promises, this too was an electioneering trick and virtually nothing has been fulfilled. There is only one promise to which they try to stick: the quick creation of good neighborly relations. The argument, on the face of it, is still realistic. They say that without good relations with neighbors we will not be admitted into the organizations of European integration.

Now, please do not misunderstand me, esteemed chamber. After all, who would not want good neighborly relations, real reconciliation between the peoples of the Danube region? Who would not wish for an end to the quarrels that have been devastating the region for centuries, for the end to the mistaken and bad custom of trying to gain advantage at the expense of others, or for a break, at last, with the interlinking chain of the loss of direction and the entrapment of each other? Who would not want the region, Hungary included, to adjust to the universal European norms as soon as possible, so that we could become a full member of the so-much-wished-for, reconciled, integrated, and safe Europe?

But not at any price. Not at any price. For, in order to achieve all this there is not even a need for us to renounce our interests. [passage omitted]

The shocking demographic data proves without doubt that only after being granted the legal, lingual, educational, public culture and self-government guarantees—asked for also by the Hungarian minorities—will these minorities be able to halt the doomsday-foreshadowing process of decline. He, who by giving this or that explanation, cavalierly foregoes the demands for these guarantees does, willy-nilly, promote the sacrifice of more than 3 million Hungarians. He will be an accomplice and a participant in the possible completion of the cultural genocide already started. In other words, he takes a stand against our existence, conducts a self-destructive policy. He who takes this path must take responsibility in the courts of history. [passage omitted]

New Finance Minister Outlines Economic Goals

AU2202132695 Budapest NEPSZABADSAG in Hungarian 17 Feb 95 p 15

["Document" by Hungarian Finance Minister Designate Lajos Bokros: "The 25 Points of the Future Finance Minister—Basic Tenets of Lajos Bokros's Professional Program"]

[FBIS Translated Text] We publish here the document in which future Finance Minister Lajos Bokros summarized his economic policy ideas to Prime Minister Gyula Horn.

I. Economic Policy Framework

1. During the past 25 years in Hungary, economic growth and financial balance have always worked against each other. The economy that was slowly turning into a market economy, has never been capable of performing sustainable growth, one that maintains the balance. The change of the economic and political system did not change this tendency. In fact, it manifested itself even stronger in respect of the sign of the absolute amounts, assigning a payment balance showing surplus for decline and serious deficit for economic growth [sentence as published].

2. As for the situation of the two most important criteria—namely the current payment balance and the state administration balance—which describe the state of the financial balance, a very strong correlation can be observed between the two in the past 25 years. In the 20 years preceding the change of the regime, the level of foreign and domestic overspending and the ensuing amount of foreign and domestic state debt moved almost parallel to each other. The past five years have changed this situation somewhat because, as a result of decentralizing the foreign currency operations, foreign loans directly taken on by enterprises and financial institutions have increased continuously. As the foreign indebtedness that is not for financing domestic state debt developed in addition to, rather than in place of, the increased overspending of the budget sector, the deficit of the current payment balance continued to increase regularly. It was only possible to finance the state administration's domestic debts at the expense of accumulation in the entrepreneurial sector. In every year when the current payment balance ended with a surplus, this was only possible as a result of a sharp decline in domestic economic performance.

3. The contradiction between growth and balance seems unresolvable at the moment. However, in principle, this is not necessary; many examples from the history of economics (Austria, Germany, Finland, and recently Spain, Portugal, and the East Asian countries) show that a high level of economic growth can be maintained over a long period. Obviously, this is a balance-preserving growth that has to be based on the increase of domestic savings and led primarily by exports.

4. Domestic savings significantly increased in Hungary in 1992-93. On the one hand, this made it possible to even out the payment balance. On the other hand, domestic savings were completely used up by the state administration whose deficit has been hitting a new high every year. We are facing a classical situation that is well known from textbooks: The state administration completely excludes the entrepreneurial investments that are the driving force of economic growth from using these savings.

5. Therefore, the root of the problems has to be sought in the sphere of state administration. In addition to the size of the budget deficit, problems are also caused by the extent and structure of redistribution performed by the state administration, the operational method of sate administration institutions, and finally the level and the concrete financing methods of the deficit. To break out of the vicious circle of growth and balance existing at the expense of each other, radical changes are needed in all five areas.

6. Progress exists when growth and balance coexist at the same time and for a longer period. Today, the reform of

state administration is the key to progress in this interpretation. In the past 10 years, two excellent opportunities have occurred to launch this: the first in 1988 and the second in 1991. We missed both. Now, in 1995, a third opportunity has arisen. It is probably not an exaggeration to claim that this is the last chance. If we do not begin the reform of state administration, then we will not be able to break out of the contradiction of growth and balance. As we have arrived to the final limit of increasing the foreign debts at the country's current revenue-producing ability, we can claim that either foreign insolvency or permanent economic decline is awaiting us without institutional changes.

7. Detailing the contents of the reform of state administration cannot be a subject of this draft. However, three viewpoints are essential. On the one hand, the government has to uniformly accept, and to make an as big as possible section of society also accept, that the reform of state administration primarily, although not exclusively, means changing the structure of the human infrastructure taken in a broad sense, narrowing the extent of free provisions, partially placing the nonbasic elements of provisions on a market footing, introducing financing and legal procedures that enforce efficient cost management, and so on. On the other hand, we have to be aware that solutions that include the most needy groups of society into the circuits of education, health, and welfare care more efficiently and under better conditions than at present always do exist—but obviously and naturally at the expense of the other groups. Thirdly, it has to be recognized that the reform of state administration does not give opportunity for quick savings. In fact, in the short term, the operation of the parallel supply systems actually increases the costs. However, this is a one-off and relatively short-term increase of costs that can and may be counterbalanced by also one-off and short-term privatization revenue. In the long run, the reform of state administration has to produce an approximately balanced current budget.

8. A necessary, although not sufficient, condition of implementing the reform of state administration is the quick rationalization of governmental public administration. This job cannot be implemented with underpaid civil servants who spend most of their work time creating unnecessary tasks for each other. Therefore, it is necessary to quickly review the internal structure and the linking points of ministries and national authorities, to reformulate the tasks, significantly reduce staffing in some places, recruit good-quality staff, and increase wages. The various ministers have to take personal responsibility for the reform of governmental public administration. It is essential for the finance minister to direct these efforts as head of the economic cabinet.

9. Parallel to launching the state administration's reform, it is also essential to review the revenue side of the budget. On one hand, the goal has to be a tax system with a stable structure, to be formed by 1996 at the latest, which will make it possible for enterprises and households to make investment, savings, and consumption decisions that make sense in the long run. The change of the tax system has to be guided by a desire to assert economic efficiency and social justice on a higher level. (I show a concrete example for this in my article on investment tax reduction and property tax that appeared in the 18 November 1994 issue of MAGYAR HIRLAP). On the other hand, we have to escape from the blind alley in which an ever-decreasing section of the economy and society bears an ever-increasing part of the tax burden. In addition to extending the range of taxpayers by orders of magnitude, the tax burdens of entrepreneurs have to be reduced in the first place. The reduction of the unbearably high level of social insurance contribution can be implemented within the reform of state administration.

10. Until the structural weaknesses that reproduce the deficit on an increasing scale are eliminated through the state administration's reform, there is a way and possibility to reduce over-financing by the budget. On the one hand, setting up the state treasury in 1995 will allow the budget expenditure to be better scheduled, which in itself reduces the deficit. Secondly, the costs of radically tightening tax collection discipline and increasing its efficiency will be recovered very quickly. Thirdly, through refined banking and capital market techniques, the budget could be financed at a 5-to-6-percent lower cost than the current 31 to 32 percent interest rate that—considering the high proportion of the state debt represnted by interest payments—would in itself result in a 60-70 billion forint saving.

II. Basic Principles of Privatization

1. At the moment, emotions are running high in connection with establishing the post of a privatization minister, as if this was a key issue from the point of view of restarting privatizations and making them socially acceptable. It might be politically desirable to have a minister without portfolio included in the lineup, but this is not important economically. The important points are the institutional system of privatization, the goals, the precise definition and delineation of tasks, and the responsibility structures.

2. It is expedient to start from the premise that rather than being an end in itself, privatization is a means to changing the enterprise structure and increasing its efficiency. No other goals of equal importance exist that could impede the change of structure and increase of efficiency as primary requirements. If, in a concrete case, this goal can only be achieved through staff reduction because the possibility of market expansion is limited, then the loss of workplaces has to be accepted. In a case of an enterprise in a monopoly situation, if effective price regulation cannot be ensured along with the pressing need for a quick sale, then its privatization can only be implemented over a longer period. The increase of budget revenue cannot be raised to be an equally important goal, either, if this reduces the chances of structural change. On the supply side, privatization is the main tool of growth-stimulating economic policy.

3. A key element of the recently drawn up privatization law is the proposal on merging the State Property Management Corporation [AVRT], the State Property Agency [AVU], and the Treasury Assets Management Agency (KVSZ). This is not at all a constructive approach. Disregarding the losses resulting from halting privatization for another year due to the structural changes and the cost of reorganization, we should start by assessing what kind of and what level of assets the above organizations control and what tasks they have to cope with in the long run.

4. From this point of view, the tasks of the AVRT and the AVU do not at all coincide. Therefore, placing them under one roof will not satisfy any needs more efficiently than at present. The AVRT possesses a strategic proportion of Hungarian industry and agriculture, and mainly of domestic energy and public utilities and, in the case of certain enterprises (for example, the Paks nuclear power station), it will be necessary, for quite a long time to come, for the AVRT to exercise the controlling rights of the golden share and bear the resonsibility that comes with this. Therefore, the AVRT will still be functioning in 20 years' time, of course—primarily as a proprietor, rather than a privatization organization. The corporation form of the AVRT is suitable for representing the approach based on market principles according to which state-run or semi state-run enterprises also have the primary task of operating profitably and efficiently. Last, but not least, the AVRT is also needed to prevent any form of ministerial ownership from reappearing. The government clearly has to state that the branch ministries cannot have any property—apart from the auxiliary companies to satisfy their own bureaucratic needs.

5. The second phase of privatization that is being launched now also raises the AVRT to be a key institution from the point of view that it only has a significant amount of assets under its control that can be privatized. The efficiency and speed of, and political support for, the major privatization deals to be directed by the AVRT would be increased if the government raised the AVRT to a national institution, at least symbolically. This could be achieved if, for example, the AVRT's supervisory committee was identical to Parliament's privatization committee, thus facilitating direct six-party control over privatization. It would be expedient to privatize the major energy-producing and -distributing and public utility enterprises in the framework of individual law packages—as was done, for example, in Great Britain. This obviously slows down the procedure, but can ensure a satisfactory settling of price regulation, environmental protection, development, labor affairs, and other aspects at the time the actual change of ownership takes place. A minister without portfolio responsible for privatization could coordinate and direct this diverse job that has an immense political significance.

6. The AVU's assets are decreasing every day, even without privatization. The reason is that the majority of still state-owned enterprises are close to bankruptcy or under liquidation, and the AVU sold the controlling share of the majority of valuable enterprises in the first three years of its operation. Strategic investors who actually run these enterprises will not buy the remaining good-quality share packets at a good price, but they cannot be sold to other professional partners. Selling these share packets through open issues, primarily for compensation notes, can be an optimal solution. This way, three birds could be killed with one stone. On the one hand, the problem created by the compensation notes could be solved in two years, offering real value to the owners. Second, the capital market could be expanded by orders of magnitude; the number of companies traded at the stock market could increase to above 100. Third, at the end of the process, the AVU itself could be eliminated, because its tasks would cease to exist after its assets are sold.

7. Providing the local social insurance administration boards with assets is a politically sensitive issue. If we consider this issue calmly, the conclusion is that this is not needed. An extremely inefficient situation could emerge in Hungary if assets were also given to the local boards that are inspired by the trade unions and that receive practically unlimited finance from the state. Two of these three elements are enough. If deficit financing is guaranteed by the state, then the own assets are unnecessary. If we think in terms of providing significant amounts of assets to them, then we must not provide unlimited state financing to go with this. As meeting the social insurance's commitments is the most important social interest, and this cannot be efficiently ensured in the long run by handing over any amount of assets, the state guarantee should be maintained and the provision of assets discarded.

8. The reform of state administration is very closely linked to privatization not only from the viewpoint of the current, but especially the future, system of social insurance. Obviously, partially basing the social insurance on the market means, among other things, that in addition to a pension close to the minimum subsistence level and a basic health care provision maintained by the state, the purchased pension and health insurance products gain an increasing role. Insurance companies, pension funds, and mutual and voluntary insurance funds offering these products will form the rapidly expanding range of institutional investors that is almost completely missing from the actors of the domestic capital market. However, privatization cannot really be successful without this. Today, foreign financial investors rule the capital market in Hungary, however, not to the expense of the domestic investors because the latter are almost exclusively laymen small investors. In the long run, foreign investors will only find the domestic capital market attractive if they can see that the role of domestic investors is increasing. However, this latter can only be ensured if capital-strong domestic institutions are going to be "forced" to invest the hundreds of millions each month that are flooding to them in the form of long-term savings contracts. By applying privatization methods

that give preference to domestic open share issues, a both quantitatively and qualitatively adequate supply will have to be ensured to match this huge demand.

9. If we analyze privatization from the aspect of the only named goal—that is, structural change and efficiency increase in the enterprises—then the question of whether sales for cash or other payment methods should be preferred is also a pseudo question. This will always be decided by the concrete situation. If it is the sale of a very much indebted large enterprise that, in theory, has good markets, then a dominantly capital-raising privatization with the help of a professional partner can be a good solution. A medium-sized food processing company could be given to the association of raw-material producers even for compensation notes because they might be most interested in expanding and modernizing production. Whichever way, it is certain that the increase of budget revenue cannot be a primary consideration because the one-off and short-term incomes are only good for delaying the need for the state administration's reform. If the latter is started, then privatization incomes might temporarily and exceptionally be used for covering the running costs, however, it is out of the question for a privatization technique applied in a concrete case to sacrifice the given company's structural change and efficiency increase at the altar of fiscal interests.

10. It has become a politically sensitive issue whether the finance minister should supervise the process of privatization. In my view, the correct requirement is that the finance minister, as head of the economic cabinet, safeguards the implementation of the privatization strategy and ensures the harmony of the general economic policy and privatization strategy. Neither the finance minister nor even the minister responsible for privatization has to be answerable for concrete deals. This is the job of the AVRT and the AVU. However, it is necessary for the finance minister to have the right of veto in the appointment of the board members and general director of the two privatization institutions, people who will actually have to be commissioned by the minister without portfolio responsible for privatization.

III. Governmental Structure and Work Style

1. The Hungarian Constitution does not recognize the notion of a economic deputy prime minister or that the finance minister has formal veto on decisions of an economic nature. This is not necessarily a problem if the government's internal operational mechanism enforces the finance minister's primary responsibility on economic issues. For example, it is absolutely necessary for the finance minister to head the economic cabinet, for this body to discuss all economic issues, and that it should not be possible to bring any economic issues to a government session without the finance minister's agreement. Naturally, anyone can express his opposing views at the government session, and the prime minister has to make the final decision in a dispute. However, prior convincing and agreement have to be the basic goals at all levels.

2. We are still to face the harder part of the economic change of the regime—the reform of state administration and the modernization of the banking structure. This means that tasks of such significance have to be solved whose importance and effects point way beyond the economic life in a narrow sense. Our economy's institutional system has to be rebuilt in a way that will affect the next generation. The final result will have a decisive influence on the economy, social structure, law, culture, education, health, even morals, and the development of behavioral norms and habits of everyday life. In order to be able to carry out this enormous task in the next three years, the existence of at least three conditions, in addition to the government's unity, is necessary.

3. Teamwork. Facing the above amount of tasks requires the mobilization of an army of domestic and foreign scientific minds in all kinds of professional areas. The finance minister should have the right and the possibility to buy and to organize the work of educated minds.

4. Publicity. The indicated tasks form a national program—and this is no exaggeration. Therefore, in the course of preparing their solution, drawing up the visions of the new institutions, and then implementing them, constant dialogue has to be conducted with all important political forces and interest groups, the professional public, foreign countries and, last but not least, with the country's population. Masses of lectures, debates, demonstrations, and experiments are needed in front of the broadest possible public, and these will have to be directed by the finance minister.

5. Clean hands. A relentless fight has to be conducted against corruption, tax evasion, fraudulent bankruptcy, insider dealing, and the penetration of crime into economic life. State-owned banks or enterprises must not support parties in any way, and they can only support cultural, health, sport, and other goals to a limited extent, through their independent foundations and under the control of absolute publicity. These same enterprises should not be able to buy control packets in daily newspapers or national radio or television networks.

The irreproachability of civil servants should be a basic requirement. In case of a legal violation, the same strictness has to be applied against everyone regardless of the person's position, former career, importance, and so on. It is natural that the servants of the people, namely the ministers and the government, have to take the lead in having clean hands.

Industry Minister Views Energy Privatization

AU2202145595 Budapest NEPSZABADSAG in Hungarian 20 Feb 95 p 18

[Interview with Laszlo Pal, Hungarian industry and trade minister, by Katalin Bossanyi; place and date not given: "I Will Not Allow Individual Lobbying!—Laszlo Pal Opens Up a Front in the Energy Sector's Privatization"]

[FBIS Translated Excerpt] The Industry and Trade Ministry has come up with a new investment and export promotion program. According to Industry and Trade Minister Laszlo Pal, the credit policy announced by the central bank is untenable, the reduction in working capital inflow is only temporary, and standard norms will have to regulate the supports and benefits given to multinational firms. Our correspondent interviewed Pal on the situation and problems of privatization, and the privatization chances of the energy sector, which has recently come into the focus of attention.

[Bossanyi] According to customs statistics, in 1994, exports increased faster and imports slower than had been predicted. You again expect a double-digit export increase this year. Is there enough commodity supply and credit for this at the enterprises?

[Pal] The big exporting enterprises do have stocks and, as most of them are joint ventures, they can easily get loans from foreign banks. The export ability of smaller domestic enterprises also depends on how fast the government will present the adjustment package. However, an even stronger incentive system than the current one would be in vain with the current interest rates on loans.

[Bossanyi] Domestic loans are expensive and virtually unavailable. Alluding to the budget deficit, the Hungarian National Bank is actually excluding the enterprises from the credit market.

[Pal] The central bank's announced credit policy is unacceptable to us. However, in addition to the real sphere, as far as I know, the trade banks are also protesting.

[Bossanyi] In your view, why did the import of capital slow down last year and what are this year's prospects?

[Pal] The number of small joint ventures continued to increase in 1994 but the incoming working capital was only $1.3 billion. This is somewhat less than the 1993 capital inflow calculated without the privatization of the MATAV [Hungarian Telecommunications Enterprise]. The reduction was presumably partly due to the waiting caused by the government change and to the slower privatization. However, this year we have a good reason to expect some $2 billion capital inflow. Especially the privatization of the infrastructure and the major public utility companies can help. The Industry Ministry has worked out 70 concrete ideas for foreign investors. Our experience is that the smaller companies, and even the multinational ones, prefer an industry policy orientation that gives opportunity for longer-term investment.

[Bossanyi] It is said that formal and informal pressure continues to be exerted on the Industry Ministry by the multinational companies for individual privileges. Especially enterprises interested in car manufacturing have recently been active. You are said to have reacted to this by saying either everyone or no one. Why?

[Pal] It is natural for these enterprise to seek the most favorable conditions for themselves. However, from the beginning I have argued—and eventually the government has also accepted this—that we must maintain Hungary's advantage in our region in investment but we need not give individual chances for special assessment as regards privileges and allowances. The system of investment that has been used up to now has a rather large number of loopholes; however, I agree that we should not take back already granted privileges.

[Bossanyi] You have a professional disagreement with the Finance Ministry on privatization. Will you try to assert your views during the parliamentary debate of the law? In fact, what are your views on the position of a privatization minister without portfolio?

[Pal] I consider the latter to be a technical problem and do not wish to deal with the personnel or party political "arguments." However, although I agree with the main goals of the law, I have my own opinion on privatization and the government is aware of this. I am watching the parliamentary debate with interest.

[Bossanyi] What is the essence of your disagreement if you support the concept?

[Pal] The disagreement is not directly linked to the law. Different views have emerged on the management of assets that will remain in state ownership and the regulation of public utility companies.

[Bossanyi] More precisely?

[Pal] I am mainly thinking of the regulation of the electricity industry's privatization. From the professional and economic points of view, this is a unified system; therefore, if we are to privatize the power stations and the linked electricity suppliers separately, then we will have to coordinate the emerging individual interests through regulations....

[Bossanyi] So that consumers will not be at the mercy of the new owners?

[Pal] For example. And the electricity suppliers should not be at the mercy of the power stations, and it should be possible to settle the links between mines, power stations, and local governments.

[Bossanyi] Are all these a matter of legal regulation?

[Pal] They are if the privatization is done by the Hungarian Power Plants Inc. [MVM RT]. However, if the State Property Management Corporation [AVRT] sells the electricity suppliers and the power stations then the situation is much more complicated and the conditions will have to be settled with special state regulations.

[Bossanyi] Which solution do you support?

[Pal] The second solution is being prepared but, in my view, privatization would be significantly accelerated and the future operation would be made more secure if the MVM RT could do the privatization. This way, it would also be possible to better represent the point that those operating in the competitive sphere should adjust to the market while the others should become familiar in detail with the rules of limited monopolies, before the privatization.

[Bossanyi] How would this scheme work?

[Pal] The AVRT would empower the MVM RT in a contract to direct the privatization. The contract would also define the share portion of the AVRT and what proportion of the profit it would get. The MVM RT would have to guarantee that the whole system continues to function, including the economic and social commitments. [passage omitted]

[Bossanyi) So when can the privatization of the electricity industry be started?

[Pal] Drawing up the state rules takes a while. On the basis of the other model, bids could be invited as early as June.

[Bossanyi] But first you will fight over the price, will you not?

[Pal] The law says that market prices will be used in the electricity industry as of 1997. Until then, at the most, inflation-linked adjustments can be taken. The state has the right to do this. From 1997 on, it will be up to the energy authority to accept proposals from the enterprises on further price increases or to place them under social control.

[Bossanyi] What does this mean?

[Pal] Bargaining. Together with representatives of the consumers, the energy authority will assess whether the increased production costs warrant a price increase. At the moment I do not see that they do. The energy industry has reserves and they have to be able to use them, especially because the prices that came into effect this January cover, according to our calculations, maintenance and renewal costs. Naturally, no resources are accumulated for a major power station investment. It is one of the goals of privatization that the potential owner should establish the conditions for modernization through the increase of capital.

[Bossanyi] What is the book value of the energy sector and what proportion of this are you planning to privatize this year?

[Pal] The total energy sector is worth 900 billion forints, 560 billion of which is the electric energy sector. The rest is natural gas and oil. In my estimate, it is possible to privatize 20 percent of the electricity sector this year, so some 110 billion forints of income can be expected from this. The privatization of the gas suppliers is also progressing well; some minor regulatory problems are still to be solved but I hope that the change of ownership can begin in the first half of 1995. [passage omitted]

National Bank Denies Plans for Major Devaluation

LD2202180195 Budapest Kossuth Radio Network in Hungarian 1400 GMT 22 Feb 95

[FBIS Translated Text] The Hungarian National Bank is of the view that the economic processes do not justify a major, two-figure devaluation of the forint. Hungarian Radio learned that the bank keeps itself to an earlier proclaimed principle, that is, devaluation needs to be carried out in several small steps. The Ministry of Industry is not calling for a major forint devaluation either in the first quarter, that is by the end of March, State Secretary Imrai Dunai told the radio.

The Budapest currency market dealing in forward rates, however, is expecting a significant forint devaluation. Yesterday was the year's busiest day at the Stock Exchange. Foreign exchange transactions amounted to 1.5 billion forints. This is a threefold increase on the usual turnover.

Warsaw Airport Closed After Bomb Scare

LD2202220995 Warsaw Third Program Radio Network in Polish 2100 GMT 22 Feb 95

[FBIS Translated Text] This news just in. Anonymous information about a bomb at Okecie airport in Warsaw was received three hours ago. At the moment nobody is allowed in and all flights were delayed. Antiterrorist teams are searching for the bomb but have not released any statements.

Official: Observers Will Continue in North Korea

LD2202202495 Warsaw Radio Warszawa Network in Polish 1800 GMT 22 Feb 95

[FBIS Translated Text] Director Jerzy Pomianowski, from the Ministry of Foreign Affairs, who is in charge of relations with Asian countries, has said that the Polish observers from the commission mediating between South and North Korea [Neutral Nations Supervisory Commission, NNSC] will not abandon their mission as long as they are still able to carry on their work normally. Today North Korea has demanded that six Polish observers should leave the country by the end of February.

Poles have been representing the interests of Pyongyang in the mediating commission since 1953. However, North Korea believes that their mandate has expired and that the entire armistice setup, as adopted after the Korean war, is out of date. The military mediating commission has been monitoring the observance of the 1953 treaty on the demarcation line.

Director Pomianowski said in his statement that the Polish observers were sent to North Korea as a result of the treaty, and, until they are recalled by the NNSC, they will not leave their posts.

Pawlak Adjourns Regular Cabinet Sessions

WS2302122895 Warsaw RZECZPOSPOLITA in Polish 23 Feb 95 pp 1-2

[Article by "J.B.L.": "Government in Dispersion"]

[FBIS Translated Text] *The Council of Ministers [RM] has not met for the past two weeks. The prime minister himself calls each RM session. Leaders of the Democratic Left Alliance have been exerting pressure on Waldemar Pawlak in the hope that the government will resume regular work. No agenda, however, for an RM meeting was developed or circulated either this week or last. It may thus be presumed that the prime minister had no intention of calling a cabinet session and that he had made the decision to suspend normal operations of the government nearly two weeks ago.*

Interior Minister Andrzej Milczanowski is demanding that the prime minister hold a government session in connection with ongoing police protests. He met with Deputy Prime Minister Kolodko yesterday, and they both concluded that the RM should deal with the protests. Waldemar Pawlak said that the new prime minister should take care of nominating the head of police, as well as address other problems.

The cabinet no longer assembles, which of course does not mean it is not doing anything. The ministers continue to issue decisions, travel all over the country, and propel the prime minister to take certain steps.

A meeting with the Council of Voivodes is scheduled for Friday, and by the end of the week the Finance Ministry is due to finalize talks with the IMF on a new agreement that is to be signed. As we learned at the Finance Ministry, the prime minister agreed to apply bypass procedures and settle the issue of the Banking Guarantee Fund that was to be brought up at an RM session. If the ministers do not raise any objections, the prime minister is alleged to have promised to sign the necessary documents.

Construction Minister Barbara Blida says the government's activities are not limited to meetings only, and that the Economic Council of the Council of Ministers has not suspended its regular sessions, during which decisions for RM are developed. "What I find most bothersome is the lack of approval for the budget law rather than no government meetings," says Minister Blida. She does admit, however, that her project on new housing credits is awaiting review by the RM and that one cannot do without the cabinet sessions for long.

The last regular session was held on 7 February. A package of anti-inflationary measures was presented at the time. It was not implemented, however, because the prime minister did not sign the necessary ordinances and decisions.

The Office of the Council of Ministers is now waiting for the government to review and the prime minister to sign or settle through bypass procedures nearly 100 draft laws, ordinances, decisions, and opinions. Among them, for instance, is a draft amendment to the law on managing agricultural land lots belonging to the State Treasury, a draft amendment to the law on the freedom of conscience, and a draft ordinance on daylight saving time—to say nothing of decisions such as appointing the head of police.

If the new cabinet takes over after legislative proceedings are instituted by the RM, the entire procedure will have to be started anew. It may thus happen that, due to a lack of legal foundations, we will not change to daylight saving time because the new government will not have time to issue the appropriate decision. After all, not everything can be done by applying the bypass procedures. The prime minister will most probablyt call a government session on 28 February.

'Fight for Offices' in Expected Oleksy Cabinet

WS2202151395 Warsaw GAZETA WYBORCZA in Polish 22 Feb 95 p 3

[Article by "an" and "qub": "The Government of the Indefinite Future"]

[FBIS Translated Text] *Kolodko wants to retain his post of deputy prime minister. Pawlak insists that [Foreign Economic Cooperation Minister] Podkanski or [Agriculture Minister] Smietanko stay in the new cabinet. As a result, Oleksy is still unable to say when he will present the composition of his cabinet.*

After a meeting held between the Polish Peasant Party [PSL] and the Democratic Left Alliance [SLD] on Tuesday, Sejm deputies commented: "The fight for offices has begun."

Kolodko Wants Deputy Premiership

Grzegorz Kolodko, who is to be appointed for finance minister only, is demanding to remain deputy prime minister in charge of the economy. Meanwhile, the PSL-SLD coalition has ruled that there will be only one deputy prime minister: Aleksander Luczak from PSL.

After the meeting, Kolodko told journalists he wants to have a say on appointments for the economic ministers, who will be members of the Economic Committee of the Council of Ministers [KERM]. Moreover, he is demanding more powers for the head of KERM—meaning himself.

Kolodko presented the coalition with four documents: theses on the implementation of "Strategy for Poland," a project for establishing an administrative economic center, basic assumptions of social security reforms, and an explanation of the decision to change methods of valorizing retirement pensions. He is now waiting for a response.

During the coalition meeting, Kolodko allegedly criticized some provisions of the coalition agreement, among others for the idea of restoring the *nomenklatura* when appointing officials subordinated to the finance minister.

Speaker Oleksy admitted to journalists yesterday that "he shares Kolodko's view that at a time when difficult decisions pertaining to the economy will have to be made perhaps only one person should be in charge." On the other hand, the speaker reminded reporters of the coalition agreement.

Oleksy Still Does Not Know

Jozef Oleksy also admitted that he is unable to give even an approximate date on which he will present the composition of his cabinet. He added he was making certain conditions he considers indispensable if he is ever to make that announcement. The problem is that an agreement has to be reached on personal issues so that the new cabinet is made up of individuals who will not repeat past mistakes, and who will mend that for which they were criticized in Pawlak's government.

Other conditions Oleksy is making include approval for a reform of the economic center and working out a timetable for that reform, a reform of the social security system, and decentralization of the state (including new principles of subsidizing gminas [smallest administrative units]).

Pawlak Exerts Pressure

As we learn from unofficial sources, Waldemar Pawlak wants to coerce SLD into keeping either Leslaw Podkanski, who became the topic of press reports in connection with the InterAms affair, or Andrzej Smietanko as minister of agriculture. Meanwhile, SLD would gladly appoint Roman Jagielinski, one of Pawlak's leading political opponents, to that post.

So far the coalitionists were able to agree that they will review all the candidacies once more. The coalition is probably going to meet on Thursday.

Perhaps Oleksy

The speaker continues to meet with candidates for ministerial posts. Yesterday, he met with Sobieslaw Zasada. "It was a meeting of two men who had been friends for a long time. Mr. Sobieslaw Zasada, however, did not receive an offer to head the Industry Ministry, or any other ministry for that matter, from Speaker Oleksy. Mr. Zasada acted as a representative of Polish industry. His opinion will be taken into account in the process of the construction of the government," said Boguslaw Jeznach, press spokesman for Sobieslaw Zasada Centrum SA.

As the composition of the cabinet still remains unknown, SLD accuses Pawlak of a standstill in the work of the government. "The government should work as usual," Aleksander Kwasniewski told GAZETA. "The government should work uninterruptedly for as long as it exists. We do have a government and it is unthinkable it could cease to operate on a regular basis," said Oleksy.

Lithuanian Envoy Accused of Incompetence

LD2302121795 Vilnius Radio Vilnius Network in Lithuanian 1000 GMT 23 Feb 95

[FBIS Translated Text] We invite you to listen to a story about a letter by Seimas members:

[Begin recording] [Vytautas Radzevicius, Warsaw correspondent] An appeal, pro memoria, to the Polish president, prime minister, Sejm speakers, foreign minister, and chairman of the Polish community has been circulated among members of the Polish Sejm and Senate and journalists. It states inter alia:

It is absolutely inconceivable and scandalous that the duties of the Polish ambassador in Vilnius [Jan Widacki] are being discharged by a person who lacks not only elementary competence to discharge functions but also deliberately and consistently acts to the detriment of the Polish community in Lithuania.

A similar lack of competence is also apparent in his activity in the sphere of international relations. Indignation has been expressed not only by Lithuanian politicians, but even foreign ministries of other countries have been compelled to exchange notes after some statements by Ambassador Widacki.

Lithuanian-Polish relations are very complex, and Lithuania is an exceptional neighbor of Poland, therefore there should be a diplomat with higher qualities and better skills. The present ambassador, in our view, is a strange misunderstanding.

The document is signed by Jan Mincewicz and Ryszard Maciejkianiec.

The majority of Sejm members understood this statement as a revenge to ambassador Jan Widacki that he had supplied the Seimas with objective information about the situation of the Polish minority in Lithuania and denied the disseminated disinformation.

Asked about this document, Professor Tadeusz Zielinski expressed his astonishment, because these politicians did not wish to meet him during his visit in Vilnius. [end recording]

U.S. Visa Lottery: 'A Lottery of Absurdities'

WS2202142195 Warsaw RZECZPOSPOLITA in Polish 22 Feb 95 p 26

[Article by Sylwester Walczak in New York: "U.S.A.: Immigration Program Confusion. A Lottery of Absurdities"]

[FBIS Translated Text] *The DV-1 visa lottery will probably go down in the history of the Department of State as the most misfired immigration project ever in the United States. The Americans notified some people they were the lucky winners in the visa lottery, but soon issued an announcement that a mistake had been made. Officers from the Consular Bureau provide completely different information than the Visa Center.*

In the beginning, it was announced that 50,000 Poles had "won" visas. It was said that those who completed the formalities first would be eligible to apply for the 3,850 visas available for nationals of any one country. Later on, when many people had already spent $800 to obtain "status clearing," it turned out that only Poles who had registration numbers lower than 7,459 had any chance of getting a visa. Another controversy, recently brought to light by NEW YORK NEWSDAY, arose when the State Department confirmed it is unable to guarantee that lottery rules are observed and eliminate all those who had sent in several applications in their own name.

A new scandal erupted several days ago. Beginning on Thursday, 16 February, switchboard operators at the Visa Center in New Hampshire began informing callers that no registration numbers will be used and applications will be reviewed on a "first come, first served" basis.

Meanwhile, Nida Budik, spokesperson at the State Department's Consular Bureau, denied on Friday that such a change had been made. "Applications are still reviewed according to the registration numbers," she told a RZECZPOSPOLITA correspondent. This information was confirmed on Tuesday, 21 February, by an officer of the bureau—Suzanne Lawrence—who faxed a copy of the February issue of the official Visa Bulletin.

On Tuesday, however, switchboard operators continued to inform callers that the date applications are submitted is the criterion for selection, not the registration numbers. RZECZPOSPOLITA's correspondent received phone calls from people who claim they obtained visas even though their registration numbers were higher than 7,459. The New York offices of Polish lawyers specializing in immigration law are currently swarming with people who had higher registration numbers but obtained visas, which were soon taken away from them on the grounds that a mistake had been made. It remains unclear whether it is legal to take away an immigration visa that has already been formally granted.

One of the managers at the Visa Center tried to clarify the problem. He asked to remain anonymous and said he was not authorized to speak to the press. According to him, the contradictory statements are due to "communication problems" between the Consular Bureau at the State Department in Washington and the Visa Center in New Hampshire. Another reason given is that the DV-1 lottery is the first one of a new type and the State Department does not quite know how to handle it. RZECZPOSPOLITA's interlocutor said he received news from Washington on Tuesday afternoon that the registration numbers should be observed after all. That information was to be passed on to Visa Center personnel on Wednesday morning.

"Beginning with that day, information given by the switchboard operators in New Hampshire should be in line with the official stance of the State Department Consular Bureau in Washington. Any changes of decision and attempts at 'facilitating' procedures are a result of our desire to protect the interests of applicants as best we can," said our interlocutor.

Since the procedure of "first come, first served" was changed to the registration number system, a group of Polish immigration lawyers are preparing a court case against the State Department. The most recent complications indicate that more claims will be filed soon.

Meanwhile, thrill seekers may still send in applications for a new edition of the lottery within this series, called DV-96, until 1 March (address: DV-96 Program, National Visa Center, Portsmouth, NH 00212 U.S.A.). Those who wish to learn what is the current explication of the lottery rules can call the Visa Center in New Hampshire directly at (603) 334-0700.

Government Internal Policy Critically Evaluated

95EP0036A Warsaw TYGODNIK SOLIDARNOSC in Polish No 1, 6 Jan 95 p 4

[Article by Jerzy Klosinski: "The Year Past: The Failures—The Postcommune Is Growing Stronger—Solidarity as the Main Source of Pressure"]

[FBIS Translated Text] The past year 1994 should be viewed from two sides. From the perspective of the present there has been no special regression, because the economy is reviving, inflation is declining, and the enfeebled democracy still survives. But the other view is completely different if we consider things more broadly and deeply, allowing for consequences which will become tangible in the next few years. Groups which not so long ago served a totalitarian ideology treasonous to our national interests have more or less permanently strengthened their grip on the economy and the power structures, and as a result we as a country are forfeiting our historic opportunity to become a genuinely independent state anchored in the Western world, economically flexible, and with a proper feeling of its own worth. And this is the greatest loss we sustained last year.

The previous governments, from Mazowiecki to Suchocka, were blinded by their Balcerowicz-style liberal economic policy and toleration of cabals deriving from the former PRL [Polish People's Republic]. They were deaf to the interests of broad segments of the society—hence their anti-Solidarity attitude, but at least they had some or other program of action and reform-minded ideas and ambitions. In contrast, the present government is distinguished by its "pragmatic" approach to the exercise of power, lacks any reform program, and treats power as an instrument for strengthening the influence of its own interest groups. Privatization is good only insofar as it strengthens the interests of those in power. Further reform of local governments is bad, because it could break up the traditional gmina-voivodship coteries deriving from the last 15 years of the PRL. The governing coalition does only what it is forced to do, what is worth doing from the tactical point of view, such as the recent debt relief for schools and health care institutions.

The coalition acts in these respects the same as the Belweder [referring to the first presidential residence, specificaly to Walesa], which treats power as an end in itself and is therefore a much weaker factor in face of the landslide that has returned the postcommune to power. It is precisely along the government-Belweder axis that the most important political game was played out last year. Walesa strengthened and watched over his interests in three ministries [probably defense, internal, and foreign affairs, whose heads are his political appointees] and looked for trump cards to win on every occasion. One such occasion was the resignation of Deputy Prime Minister Borowski following the Bank Slaski affair [referring to the charges that the bank's assets were underappraised. Walesa rejected Rosati's nomination to that post. In response, the SLD [Democratic Left Alliance] threatened to restrict presidential privileges. At the same time a major surge of Solidarity strikes was occurring in the background and, willy nilly, wanting to regain at least in part his old electorate, Walesa vetoed the first version of the "neopopiwek" law [concerning limitations on wage increases]. He also declared that he would refuse to sign the budget law. All the same, the Belweder decided that it is not yet time to be at loggerheads with the governing coalition, because the next electoral campaign is still far off, and thus a cordial agreement, culminating in the acceptance of Kolodko to the post of minister of finance and deputy prime minister, was reached.

But the conflict became again exacerbated following the encroachment of the governing coalition on the ministries traditionally headed by presidential appointees—the Ministry of Foreign Affairs, and especially the Ministry of National Defense—and the minister of national defense was recalled. The fact that for the last few months that ministerial post has remained vacant demonstrates that the war between the Belweder and the governing coalition has become serious. This lasting conflict is proof that the configuration of power that arose following 19 September is an abnormal situation.

The parliamentary opposition is too weak and undefined, and at least one-third of the political parties is not represented in the Sejm. This is detrimental to the interests of the state, which in particular should utilize this period to strengthen Polish defense, bring about a closer association with NATO structures, and depoliticize the military. Let alone the need to reform the structure of the government and to redeploy troops from the western to the eastern border. All this is not being done, because the ruling coalition and the philosophy it professes are rooted in the PRL past.

Were these legacies of the past to exist at just one ministry, that could be viewed as a happenstance. Unfortunately, they can be sensed practically everywhere, and in the remaining "presidential" ministries as well. To be sure, Minister Milczanowski has remained the head of the Ministry of Internal Affairs, but may not the Belweder and the ruling coalition locate a better Cerberus over that ministry's archives? And at that ministry itself the toleration of corruption derives from the top, because, despite major accusations and the ongoing investigation, Commanding Officer Smolarek continues to head the police. The situation at the UOP [Office of State Protection] is no better. After its new chief, Czempinski, was appointed, the old cadre began to return and the few ViP men left. Thus we are witnessing a strengthening of the PRL ties of the secret services, whose dependence on the KGB continues to be probable, as most eminently demonstrated by the promotion of superagent Zacharski, who until recently had been performing important objectives for the Soviet empire, to the head of the intelligence service. In the light of these facts the humiliating journey to Moscow of the entire top delegation of the Ministry of Foreign Affairs following the incident at the Eastern Train Station becomes comprehensible [the incident refers to the beating of some Russians by Polish police when their train stopped at Warsaw]. Of a certainty, this dependence is delaying the process of Poland's joining the Western security structures, and as for the lustration [vetting of former nomenklatura], we can forget about it.

Along with the return of the "comrades" to power there arose a favorable climate for forgiving the sins of the past. A spectacular example was the Diet committee's exoneration of Jaruzelski and Kiszczak from accusations of destroying the records of the Politburo of the PZPR Central Committee.

In the committee's opinion, the stenographic records of Politburo sessions were merely "private notations," not [as published] subject to legal protection. In such an atmosphere of tacit abolition of accountability for crimes of the past, a court has acquitted Ciaston and Platek, who had been accused of directing the murder of the Rev. Popieluszko. Thus it was no surprise that by year end the parties of the governing coalition prevented the passage of a resolution condemning the martial law. The certainty of exercise of power, perpetuated during the PRL era, has revived. It thus became possible, contrary to the Polish raison d'etat, for the Diet to refuse to ratify the concordat with the Apostolic See.

As an antidote to the evident crisis of rule of law in this country, Justice Minister Cimoszewicz published a list of high officials who were benefiting from outside incomes contrary to the law, which was to show that the authorities were fighting corruption within their own ranks. Unfortunately, this matter proved to be a burst balloon, because the question of the participation of government officials in [corporate] governing boards has not been to this day clarified and no government employee may be dismissed for this reason.

It is becoming increasingly clearer that we are dealing with the staffing with nomenklatura of managerial positions in partially privatized state enterprises. Compromised experts on the socialist economy are returning and being appointed managers of one-person Treasury companies [the first stage of privatization], that is, de facto, managers of national wealth. Likewise, the old cadre of former economic apparatchiks now predominates among members of the supervising councils of the NFI [National Investment Funds]. This "leap to the cash box," whose examples can be multiplied, is being done equally by both the coalition parties, because the PSL [Polish Peasant Party] has gained notoriety by taking over the cooperative banks which became autonomous and subordinating them to the BGZ [Food Industry Bank] as their central bank, with the result that, following a subsidy from the state budget, the BGZ now disposes of capital on the order of 50 trillion zlotys. There is plenty to satisfy the parochial ambitions of PSL politicians.

But as for satisfying the needs of broader social groups, the situation is not as good. Since the beginning of the year Solidarity has been engaged in a collective dispute with the government over compensation for the rise in the cost of living. There even occurred two big demonstrations in Warsaw, along with a wave of strikes culminating in a protest in the brown coal basin.

Throughout the year Solidarity has also been presenting claims about the state sector and demanding the speediest possible reform of social insurance along with property empowerment. The ruling coalition boasts of the growth of the economy, taking credit for it, whereas at the same time large segments of the society are becoming pauperized. All these unsolved problems caused employees of the health service and education to proclaim a hunger strike. It was precisely the pressure exerted by Solidarity, which is demanding reforms of the issues most vital to the public, that is spurring both the ruling coalition and the Belweder as well as the undecided parliamentary opposition to take active measures in this respect.

Through the fault of the ruling coalition the arrangements for reaching a consensus on social policy by the so-called Trilateral Commission [the government-trade unions-employers] proved fallible. The government utilized that commission for sham consultations with the trade unions, notoriously ignoring the position taken by Solidarity and secretly reaching an agreement with the OPZZ [leftist National Alliance of Trade Unions] which, in accord with its tradition, has been an obedient transmission belt to the masses.

The year 1994 has to a large extent been a lost year. Of a certainty a part of the SLD and PSL electorate has irreversibly lost its illusions, but it is we all who have paid for this "lesson," so that this satisfaction is a bitter one.

Knowledge of Arms Deals With Brazil Denied

WS2302101395 Warsaw TRYBUNA in Polish
22 Feb 95 p 1

[Article by "ALF": "Mysterious 'Carpet Beater' Promotion"]

[FBIS Translated Text] *Neither the Ministry of National Defense [MON], nor the Cenzin Arms Trade Center, nor the Ministry of Foreign Economic Cooperation [MWGzZ] were able to tell us what the "carpet beaters," allegedly offered for sale in Brazil, actually are. Everyone advised us to ask Lech Walesa's children who, as the president told journalists, coined the phrase for the military equipment we want to sell to Brazil.*

"That is not a term we use for any military equipment," Cenzin Director Wladyslaw Szewczyk told TRYBUNA. He added he knew nothing about any plans to sell arms to Brazil. He thought perhaps the Army has stockpiled domestic military equipment and is trying to sell the surplus abroad.

We were told at the MON Press and Information Office that Acting Defense Minister Jerzy Milewski agreed to [head of General Staff] General Wilecki's trip to Brazil with the president. We were also told that MON does not conduct any arms sales itself.

Lieutenant Colonel Zdzislaw Czekierda, spokesman for the General Staff, stated outright: "The General Staff head does not trade in arms." Czekierda challenged a statement made by the president that Wilecki is negotiating a sale of Polish weaponry to Brazil. He also said it is a rule that the head of General Staff, or his representative, always accompanies the president, as commander in chief of the Armed Forces, on all foreign visits.

MWGzZ is not surprised that the head of General Staff is carrying out talks on arms sales. If it is a promotion, it is always good to have a general involved. A high-ranking ministry official, who asked to remain anonymous, told us that if trade talks were really under way, a representative of his ministry would have to be present. Hence the theory that this is promotion rather than actual negotiations on a deal to sell Polish military equipment.

Foreign Policy Accomplishments in 1994 Viewed

95EP0036B Warsaw TYGODNIK SOLIDARNOSC in Polish No 1, 6 Jan 95 p 8

[Article by Zdzislaw Najder: "1994: A Poor Year"]

[FBIS Translated Text] From the standpoint of Poland's international situation, 1994 was not quite bad, but still it was a poor year. Nothing terrible happened to us, but Poland is now in a worse position than 12 months ago.

I consider the following four processes as the most important in our foreign relations in the last 12 months:

1. The Russian Government has become more active and harder in pursuing a policy intended to recreate Moscow's sphere of imperial domination. Force again is turning out to be the method most readily followed by Russians in relations with their neighbors. Tales about the "moderates" Yeltsin and Kozyrev providing a reasonable alternative to the "extreme nationalists" such as Zhirinovskiy and others had to be viewed as fairy tales. Yeltsin and Kozyrev may be moderate in their declarations but so far as Georgia and Tajikistan are concerned, let alone the unfortunate Chechnya, their objectives are clearly the same as those of the former tsarist ministers and red commissars.

True, the armed pacification of Chechnya is meeting with resistance from public opinion, part of the Duma, and even certain generals. But this has had no practical effect. Only the stubborn resistance of the Chechens and the rising Russian casualties have prompted Yeltsin to suspend the attack on Grozny. It is difficult to foresee the unfolding of events in Russia, not because the government has to reckon with the opposition or with public opinion, but because the conduct of the president himself has become increasingly unpredictable. In December foreign observers were asking, "Who actually rules Russia?" No one could provide a definite answer, although most often the commander of special presidential protection units, Gen. Aleksandr Korzhakov, was named.

The new (that is to say, traditional) style of Moscow's action has also been reflected in relations with Poland. The cancellation of Prime Minister Chernomyrdin's visit to Poland was, to say the least, impolite: Subsequent actions of the Russian authorities, inclusive of their failure to comment publicly on the misconduct of the Russian consul in Krakow, have been displays of arrogance. Polish-Russian relations nowadays are bad, and the weakness of our position is obvious.

2. Western countries are reacting in different ways to the hardening of Russia's course. The divisions are both among governments and within governments, but they mostly reduce to varying degrees of softness. The desire to support Yeltsin clearly predominates, along with readiness to "understand" Moscow's "legitimate interests." An example was the haste of the—unsolicited—United States authorities in declaring that the conflict with Chechnya is an internal affair of Russia (as if the Chechens were at least Russians....). In theory Poland nowadays is closer to Western political, economic, and military structures than a year ago. Closer, but to an unknown extent; no one even knows what such rapprochement means in practice. Consoling unofficial assurances that in the event of danger the West will not abandon us would be comical if this did not concern vitally important issues. Because who, "in the event of danger," is going to decide whether the danger is real? And who will define the method of assistance?

We thus remain in the shadow zone. In addition, we have lost two important allies with the death of Manfred Woerner, a supporter of rapid inclusion of Central-East Europe in NATO, and the resignation of Jacques Delors, who is very well disposed toward Poland, from his post in Brussels. Delors's successor, the Luxembourger Jacques Santer, is an unknown variable, but clearly he lacks the personal authority of his predecessor. Woerner's successor, Willy Claes, a former Belgian socialist minister of foreign affairs, has a past which hardly sounds promising (he was opposed to joint military actions of the West) and he also comes from a politically and militarily marginal country so that it will be difficult for him to gain an influence equal to that of Woerner, a former FRG minister of national defense.

Poland's entry into the European Union has been decided in principle but there is neither a specific timetable nor as yet specific conditions for its admission. (And it is known that these conditions are becoming increasingly difficult for us.) Our admission to NATO is now also considered a sure thing, but here likewise no specific conditions have yet been spelled out.

Thus there arises the question of whether the Government of the Polish Republic might not improve our national security by pursuing a different foreign policy. Have we wasted the time given to us? In discussing the related accusations the defenders of the policy of the years 1989-93 talk like artful dodgers. They admit that the critics are right about particulars—without specifying them anyhow, which makes it easier to minimize such mistakes as former Minister of Foreign Affairs Skubiszewski's postulation of a secret all-European treaty in the spring of 1992 or the rejection, by Prime Minister Suchocka in the summer of 1993, of proposals for joint maneuvers under the aegis of NATO. They claim that such details are irrelevant to evaluating the policy as a whole. Such a flattering opinion is based on the frivolous assumption that even so we shall attain our goal, which is the secure anchoring of Poland in the economic and military structures of the West. This means closing eyes to the fact that since 1993 time has been against us.

A significant example is that provided by Jan Nowak who now so tenaciously is championing Poland's place in NATO but who in 1992 claimed that there is no hurry, that dangers do not exist, and that the Olszewski government was acting hysterical, etc. And yet attempts for rapprochement with NATO should have been made precisely then, at a time when such attempts had not been meeting with formal resistance from Moscow.

3. Inside the Western alliances major divergences have emerged. Of these divergences the most important (to Poland) is the dispute between the United States and the European members of NATO on broadening membership in NATO. A mutual shift of positions, as it were, took place: Not so long ago (e.g., during the September conference of NATO ministers of defense in Seville) the Americans were opposed to talks about admitting more countries to NATO, whereas now they are their loudest supporters (at least verbally, because specific cooperation is developing only in the Polish-European plane and the renowned "Brown's correction" has produced nothing so far).

Whence derive these differences in views and shifts of attitudes? Chiefly because the West Europeans and Americans view from differing angles the problem of granting security guarantees to the countries of Central-East Europe. To the members of the European Union, and primarily to Germany, Poland's entry into NATO means chiefly eliminating the "shadow zone," an area with indeterminate ties of alliances, that is, an area providing room for various external and internal temptations. To the United States, in contrast, Central Europe is an area bordering on the sole country which may be at threat to America. Therefore, Poland's entry into NATO is to Americans mainly a function of their relations with Russia.

We should be satisfied that the Americans have changed their position in our favor, but there is no reason for rejoicing over the *cause* of that change, which is the deterioration of both American and Polish relations with Russia. It is significant that even such a consistent critic of Soviet and Russian imperialism as Richard Pipes has voiced (in an interview on 9 December) his opposition to admitting Poland to NATO, on the grounds that this would unnecessarily (!) aggravate the Russians. Similar arguments, based on empathy into the souls of Russian generals, were employed by Helmut Schmidt and Mieczyslaw Rakowski in the interview published on 15 December in POLITYKA. (Unfortunately, Tadeusz Mazowiecki, a participant in the discussion, instead of disputing these arguments confined himself to stating that his views were different.) The former chancellor [Schmidt] and the former prime minister [Mazowiecki] somehow fail to perceive that Russia's fears of NATO as a military threat are based on the belief that this is a pact capable of aggression, whereas Polish fears of Russia are based on experience—and ongoing observation.

In the course of the year past our Ministry of National Defense has become by now quite openly a bone of contention between the president and the government, with the Sejm left out of it properly speaking. The conflicts concern both whom to appoint the head of the ministry (a post left vacant for the last few months (which is *bound to* reduce the standing of Poland on the international arena) and the powers of the minister. Is the [army] chief of staff subordinate to him? Are the special services subordinate to him? Parliamentary control over the military has become a fiction. The extent to which public opinion is being informed on military affairs is far behind the standards followed in NATO countries.

The growing confusion over the powers of the Ministry of Defense is accompanied by the unclear situation at the Ministry of Foreign Affairs, whose head is in a state of suspended resignation. Throughout the year Minister Andrzej Olechowski has been acting inconsistently, but his departure, now probable, would greatly exacerbate the government crisis and additionally detract from Poland's possibilities on the international scene. It also should be kept in mind that the electoral victory in September 1993 of parties hitherto clearly opposed to rapprochement with the West has undermined our chances. In the summer of 1994 there occurred the scandal over the appointment of [former Soviet superagent] Marian Zacharski [to the post of head of the intelligence service]. Last December's fray between the government (whose prime minister could readily win first prize in a contest for *desisting from* taking a stand) and the president (who is recommending an instrumental treatment of the law) has caused another downgrading of foreign evaluations of Poland's standing as a politically responsible state.

Since 1989 Poland has been living on the international arena largely off the political credit ascribed to us owing to the historic accomplishments of Solidarity. Now we are facing, to use the fashionable expression, the bottom line. But who is responsible for that bottom line? Who is governing Poland? That is the question.

Interest Rate Hike Evokes Diverse Reactions

WS2202151595 Warsaw RZECZPOSPOLITA in Polish 22 Feb 95 p 1

[Article by "D.E.": "After the NBP's Decision To Raise Central Bank Interest Rates: Kolodko Criticizes, IMF Praises, Banks Count Their Money"]

[FBIS Translated Text] *The decision made on Monday by the National Bank of Poland [NBP] to raise central bank interest rates by 2-3 percentage points was criticized yesterday by Grzegorz Kolodko, deputy prime minister* *and minister of finance. He claims it was unnecessary, is difficult to understand, will increase production costs, and will hit stock exchange investors. According to the deputy prime minister, instead of supporting the government in the battle against inflation, NBP is only causing expectations to run excessively high. He also suggested that the decision of the central bank was politically motivated.*

NBP President Hanna Gronkiewicz-Waltz argued with that opinion early yesterday afternoon, stating that the decision to raise the interest rates was autonomous and overdue considering recent economic developments. She revealed it was Kolodko who attempted to control interest rates by political means, intervening with the president to keep them low.

The NBP decision was also criticized by Sejm Speaker Jozef Oleksy who said NBP should have consulted the move with the government. NBP should also have waited for the February economic reports instead of acting on the basis of truly alarming results obtained in January. Although the bank had a right to make a sovereign decision, it is harmful and, according to Oleksy, sinister.

Privatization Minister Wieslaw Kaczmarek made an altogether different statement, claiming that raising the interest rates by 2-3 percent will not have any great impact. Everything depends on how commercial banks react. The decision, however, stands in stark contrast with recent statements of economic success. Marek Borowski, the first finance minister in Waldemar Pawlak's government, believes the decision was not entirely groundless but NBP could have waited. Markus Rodlauer from the IMF told RZECZPOSPOLITA that the NBP decision is an exemplary supplement to the government's anti-inflation package and guarantees keeping this year's price growth at the level assumed in the budget law—17 percent.

As research carried out by RZECZPOSPOLITA shows, the only big banks which have announced an increase of interest on credits are Bank Slaski and General Savings Bank-National Bank (housing credits). Other banks are analyzing the new situation.

On the Warsaw Stock Exchange, the price for 38 out of 43 basic shares fell, and only three went up. The Warsaw Exchange Index declined by 4.9 percent to a level of 6,277.2 points. Warsaw Stock Exchange President Wieslaw Rozlucki said that the short-term effect may be negative, but in the long term the NBP decision may have a positive influence on the stock market. This will be the case if, combined with other decisions, it will help keep inflation down.

Finance Ministry, NBP Ties After Rate Hike

WS2202155795 Warsaw ZYCIE WARSZAWY in Polish 22 Feb 95 p 1

[Commentary by Maciej Fischer: "The Autonomy of NBP Interest Rates"]

[FBIS Translated Text] Over the last few months something seems to have gone wrong between the National Bank of Poland [NBP] and the Ministry of Finance. The reasons for the tension were interest rates on rediscount credits and the pace of the zloty's creeping devaluation. Deputy Prime Minister Kolodko struggled to slow down the pace of devaluation for several months. NBP finally gave in and lowered it from 1.6 percent to 1.4 percent per month. Kolodko, however, continued to claim there was no conflict between the bank and the ministry, and one of his deputies stated that the bank and the ministry were housed on the same street, suggesting the directions of fiscal policy were similar.

In mid-February, the ministry took up the issue of lowering the pace of zloty devaluation once more. The ministry unequivocally stated it only wanted the pace of devaluation to be slowed down, and not interest rates lowered. Several days later, NBP reduced the devaluation rate, much to the satisfaction of the ministry. The ministry stressed the sovereignty of NBP decisions.

Still, an autonomous decision made by NBP two days ago to raise interest rates by 2-3 percent caused the finance minister to lose his temper. Kolodko, usually very reserved, lost his self-control and accused the central bank of disrespect for the government and of scheming with the Belvedere. Regardless of whether the NBP decision was right or wrong, Kolodko's outburst and uncouth suggestions that the central bank is yielding to political pressure exerted by the president implies the ministry does not approve of any manifestations of independence on the part of financial institutions in Poland. Especially when those decisions are not to their liking.

EIB Loans for Development Projects Detailed

MM2202154295 Szczecin GLOS SZCZECINSKI in Polish 10 Feb 95 p 9

[Unattributed article: "EIB Will Lend 163 million ECU's for Priority Projects in Poland"]

[FBIS Translated Text] The European Investment Bank [EIB] will offer Poland two loans to the total value of 163 million ECU to support telecommunications and industrial projects in our country. An agreement to this effect was signed in Warsaw by Wolfgang Roth, EIB deputy chairman, who stressed the increasing role which the EIB plays in the modernization of the Polish economy, especially through the financing of the extension and expansion of the Trans-European Networks (TENs) to Poland.

Altogether, the loans will total 716 million ECU [as published] (for the Polish part of the project):

—The sum of 150 million ECU will go to Polish Telecommunications SA to enable the company to offer new numbers to more than 2 million new subscribers by 1997. The proposed capital investment projects will involve mainly the extension of the local distribution network, the installation of 1,800 km of long-distance fiber-optic cable, and the installation of 30,000 new public telephones. This will permit the expansion of the telecommunications network from 12 to 20 numbers per 1,000 population by 1997.

—The sum of 13 million ECU will go to the Exports Development Bank to finance projects concentrating mainly on the development of small and medium business and tourism. It is possible that it will also be considered for the support of investment projects connected with environmental protection and restoration schemes, schemes for the conservation and more rational use of energy, and commercial infrastructure management.

The EIB began granting loans for priority investment projects in Poland back in 1990. The earlier loans were granted to assist such projects as the modernization of the national telephone and gas networks, the construction of the Polish section of the Berlin-Warsaw rail route, the modernization of Warsaw Airport, maintenance of selected forest areas, and the establishment of 30 small and medium companies and tourist agencies financed by the Polish banking network.

The total amount of EIB loans to central and eastern European countries associated with the European Community through a range of mutual agreements stands at 2.223 billion ECU. The countries involved in the scheme are Poland (716 million), Hungary (597 million), the Czech Republic (252 million), Bulgaria (226 million), Slovakia (174 million), Romania (144 million), Slovenia (88 million), Estonia (12 million), Lithuania (10 million), and Latvia (5 million). Assistance for Albanian projects is also being considered at the moment. In all, the sum of 3 trillion ECU has been allocated to assist investment projects in 10 central and eastern European countries in the years 1994-96.

Further information is available from the EIB Information and Communications Department (Mr. M. Messner, telephone 352 43 79 32 43 Luxembourg).

The figures quoted above are based on the currency conversion rates for 30 September 1994, with 1 ECU standing at .79 pound sterling, .79 Irish pound, $1.24, and 28.57 zloty [Z].

Review of Foreign Trade Regulations

95EP0033A Warsaw ZYCIE GOSPODARCZE in Polish No 1, 1 Jan 95 p 36

[Article by Marta Lazarowicz: "The '95 Tariff Schedule," under the rubric "We and the World"]

[FBIS Translated Text] The year 1995 will bring major changes in the conditions of foreign trade. The related principles will differ for trade with the countries of the European Union, EFTA [European Free Trade Association], and CEFTA [Central European Free Trade Association].

European Union

Exports

Industrial products. As of 1 January 1994 [as given] exports of manufactured goods to the EU will not be subject to any tariff or quantitative restrictions, with the exception of three commodity groups for which a separate plan for abolishing duties exists. They are: Steel products, textiles, and coal. Until the end of 1995 preferential low 20-percent duties will apply for steel products. Duties and quotas will also be retained until the end of 1995 for the exports of certain coal products to Spain and Germany. The total abolition of restrictions on the exports of these two commodity groups will take place on 1 January 1996.

As for textiles, the reduced duty rate next year will be 43 percent of the base rate. Quotas will continue to apply to 18 categories, and in the case of finished products, to 10 categories. However, the quotas are to be markedly broadened 1995 owing to the admission of three new members to the EU.

Farm products. Duties will remain unchanged this year. The existing preferential quotas will be slightly broadened. More substantial changes will be brought about by the implementation of the decisions of the Uruguay Round. Talks on preserving Poland's trade preferences in trade with Austria, Sweden, and Finland—three countries joining the EU—are continuing.

Imports

Industrial products. As of 1 January 1995 a reduction of duties, to be distributed over a five-year period, will commence. Each year duties will be reduced by 20 percent of the base rate. Only the duties on passenger cars imported outside the duty-free quota will be retained next year; in this case the duty rate will be 30 percent of the ad valorem rate. The long-term timetable for reducing duties on automobiles is the same as in the case of EFTA and CEFTA countries.

Farm products. Import regulations will remain basically the same. For imports of certain processed farm products Poland will introduce a new system of preferences in 1995. Liberalization in that field will be brought about chiefly by implementing GATT decisions.

Fishery. Both imports and exports will be carried out on general principles, without preferences.

EFTA

As of 1 January 1995: Norway, Iceland, Switzerland, and Liechtenstein.

Exports

Industrial products. Next year only Norway will retain duty rates on certain products of the chemical, textile, and garment industries. In the case of chemicals (polymers and polyvinyls) the duties will be 20 percent of the base rate, that is, of the rate of 29 February 1992. Duties on these products will cease to apply on 1 January 1996. The duty rate for the exports of dutiable textile products will be three-sevenths of the base rate. These duties will be reduced each year by one-seventh until they drop to zero on 1 January 1998. Until the end of 1997 Norway will retain quotas on certain textile and garment products.

Farm products. Poland has signed bilateral agreements on trade in farm products with each of the EFTA countries. Each of these agreements specifies particular farm products for which we were granted tariff concessions.

Fishery. Our exports by now are based on the duty-free principle, with the exception of Switzerland and Liechtenstein—countries which may continue to impose duties on certain items in this commodity group.

Imports

Industrial products. Poland has already abolished duties on the same—with a couple of exceptions—merchandise for which it granted concessions to the European Union. Likewise, the reduction of duties on remaining commodities will proceed as in the case of the EU (over five years, cut each year by 20 percent).

Farm products. For the time being Poland has granted no concessions to any EFTA country. Talks on this matter with the EU and the EFTA are envisaged for 1995.

Fishery. Starting 1 January 1995 duties will be reduced as in the case of manufactured goods, in five annual installments.

Austria, Finland Sweden. In connection with the admission of these countries to the European Union, our trade with them will be regulated by our agreement with the EU. The rules for Poland-EFTA trade and the provisions of bilateral agreements will cease to apply to these countries. This is particularly important in the case of Finland, with which our trade in all industrial products was based on the duty-free principle. The KEVSOS agreement which regulated that trade has ceased to apply.

CEFTA

CEFTA provisions are of a symmetrical nature, meaning that the same regulations apply to imports into and exports from Poland.

Industrial products. In 1995 preferential duty rates amounting to three-fourths or two-thirds of the base rate (of 1 July 1994) will continue to apply. By the end of the year preferential duties on products of the automotive industry will remain unchanged. Duty rates for commodities on the so-called list of exceptions, that is, not as yet preferential, will be reduced by one-tenth. This is of special importance in the case of Hungary, for which the list of exceptions is extremely long (more than 500 items on both sides). The lists of exceptions in trade with the Czech Republic and Slovakia comprise about 50 items, with the Polish exceptions being solely automotive products. Poland will again open a duty-free quota for parts for Hungarian buses. Hungary granted us a duty-free quota for parts for Polish cars and for coal produced by the Haldex method.

Farm products. In trade with the Czech Republic and Slovakia the quotas for the second half of last year will be retained. On the other hand, the preferential rate applied to them will be further reduced.

The extent of concessions in trade with Hungary will be broadened. New quotas will be introduced, and some of the existing quotas will be raised. The concessions will also apply to new commodities, for which preferences will not be limited by quotas.

Farm Sector Not Prepared for EU Competition

95EP0035A Warsaw ZYCIE GOSPODARCZE in Polish No 2, 8 Jan 95 p 37

[Article by Jerzy Wilkin: "Solitude of the Polish Farmer"]

[FBIS Translated Text] The process of integrating the Polish economy with the economic organism of the European Union could be viewed from at least two fairly extreme points of view. The first considers the integration as a great opportunity for hastening Poland's economic and civilizational development and the second stresses various dangers of the integration and presents Poland's joining the Union as something actually dangerous to both the national sovereignty and the interests of a majority of the Polish citizens.

Public Attitudes

Various opinion polls taken in recent years indicate that a majority of our public supports integration with the European Union. The percentage of declared opponents of the integration seems relatively low. But we know little about how the positive attitude of Poles toward economic integration with West Europe is translated into practical attitudes. The supporters of the integration could be divided into two groups depending on their attitude, which may be either passive or proactive. The former is characterized by waiting, passivity, and consent to the "absorption" of the Polish economy by the mighty organism of the European Union.

The proactive attitude consists in advocating the idea of partnership as part of the European integration, placing emphasis on the need for mutual (i.e., of existing and new countries of the Union) adaptation to the new larger size of the European Union, and striving to "imprint a brand" on the future shape of an integrated Europe.

So far it appears that it is the former attitude that predominates in our country, and this is disturbing.

The opening and liberalization of economies results in a situation in which economic performance, including incomes, is to a greater extent than previously decided by activism, rationality, innovativeness, adaptability, and other similar traits of economic entities (enterprises, farms, etc.). Conditions of competition become sharper, because international competition increases. At the same time, government protectionism and interventionism decrease.

Polish Farms

Generally speaking, Polish farmers are very inadequately prepared for such confrontation. The weaknesses ensue from the structural features of our agriculture, material deficiencies, a fatal financial situation of the farms, infrastructural and institutional shortcomings of agriculture and the countryside, and the relatively uninformed state of the farmers as well as their attitudes. In Poland there are about 2,100,000 private farms, not counting allotment gardens measuring less than a hectare in area. According to even the most optimistic estimates there is no chance for a decrease in the number of Polish farms to below 1,800,000 before the year 2010. Studies performed at the Institute of the Economics of Agriculture and Food Industry indicate that farms in Poland can be divided into the following five groups according to adaptive ability. (Footnote) (A. Wos, "Development Trends of Agriculture in a Market Economy," "Prace i materialy Institutu Rozwoju Gospodarczego SGH" [Studies and Materials of the Institute for Economic Development, Main School of Commerce], Warsaw, 1994, p 40.):

—Growth farms, 160,000-170,000.

—Farms with potential for growth, threatened by bankruptcy: 20,000.

—Traditional farms, capable of growth, 350,000-400,000.

—Stagnant farms: 1,200,000-1,300,000.

—Declining farms: 300,000-350,000.

Given a favorable combination of economic conditions, only one-fourth of the current number of farms has a chance for growth. Thus, "the economic game" concerns those 550,000 farms.

At present barely 10 percent or so of farms in Poland demonstrate ability for reproduction and investment with their own resources and, what is worse, this percentage is declining.

The condition of the farms can be equally defined in terms of their material situation and the psychological state of the farmers. The latter does not seem any better than the former.

The Mentality of the Polish Farmer

The psychological state of the Polish farmer leaves much to be desired. It displays pessimism, discontent, "glancing at the government," considerable passivity, and a feeling of impotency. Studies by the CBOS Public Opinion Survey Center, presented in the book "Rolnicy '92" [Farmers '92] indicate that as many as 93 percent of farmers believe that the situation of Polish agriculture is poor or very poor, and only 9 percent believe that a year later it will improve. (Footnote) ("Rolnicy '92," "Rolnicy wobec zmian systemowych" [Farmers and the Changes in the System of Society], edited by A. Rosner, CBOS, Warsaw, 1993.) Polish farmers are not enthusiastic about capitalism (barely 20 percent view it as a desirable system), but they have even less liking for socialism (barely 6 percent support it). Fifty-one percent of the farmers surveyed prefer "the third road." Perhaps this is longing for capitalism "with a human face." Most farmers fear the mechanisms of the capitalist economy. Only 34 percent believe that such an economy affords opportunities for the growth of agriculture, and 43 percent believe the opposite. Belief in the necessity of a highly active role of the government in agriculture is deeply rooted in the mentality of the farmers. As many as 86 percent of Polish farmers believe that the government should guarantee purchasing the entire farm output, and 74 percent claim that farming should have special privileges in a market economy.

An institutional void has arisen between the institution of the government as such and the farms. In this situation it is not surprising that farmers, in their search for support and protection, count most on the government, especially because in the last few decades they have become accustomed to the reliance of nearly everything that happens in agriculture and the economy as a whole on the government. The various institutional forms which are the natural ally and support of private farmers have not evolved, or have only feebly evolved, in Polish agriculture. In West European countries such support is provided to the farmer by numerous cooperatives founded, controlled, and protected by farmers. In those countries there also exists a highly ramified system of production, economic, and social counseling, along with stable forms of production ties between farming, processing industries, and trade in farm products.

In Poland a majority o the ties linking the farmer to his surroundings, evolved during the period of real socialism, has been disrupted. Likewise, many organizational forms associated with the previous economic and political system have collapsed.

Greek Minister Expresses Wish To Buy Helicopters

AU2202143995 Bucharest TINERETUL LIBER in Romanian 20 Feb 95 p 3

[Article by Titel Folea: "The Greek Defense Minister Has His Eyes on Romanian-Made Helicopters"]

[FBIS Translated Text] The signing of the framework agreement between the Romanian and Greek Ministries of Defense was not the sole reason for a Greek military delegation to pay a visit to our country. On this occasion, Yerasimos Arsenis, the Greek defense minister, expressed his wish to visit the IAR [Romanian Aircraft Manufacturing Company] in Ghimbav [Brasov County], where they are manufacturing the Romanian-made IAR-330 Puma-type helicopters. That wish of the Greek guest made the host organize a busy schedule including stopovers at Peles Castle, the Predeal Mountain Corps Battalion, the aforementioned military aircraft factory, as well as a sojourn in the Black Sea coast city of Constanta, where they held a meeting with representatives of the Romanian Navy, as well as of the ethnic Greek community of that municipality.

The brief drill performed by the soldiers of the Predeal Mountain Corps Battalion delighted the Greek military. Owing to the fact that there are no such units in their army, they watched the presentation of the mountain corps' specific activities with a great deal of interest. Minister Arsenis did not miss the opportunity to examine some of the weapons used by those troops. He even got into a MLVM [Mountain Corps Locomotion Means] (combat vehicle of the mountain corps), which made the reporters present there take a lot of pictures. One of the companies of the Predeal Battalion presented a demonstrative attack during which they fired blanks from various weapons with which they are equipped. As a reward, the battalion belonging to the Sarmisegetuza Brigade was offered a present consisting of a plaque with the inscription: "The Best Thing Is To Fight For Your Country."

The most important event was, of course, the meeting with the director of the helicopter-manufacturing company. Following the brief presentation of the aircraft, the Greek defense minister and his spouse inquired about details referring to the performance of the product in which they had showed interest. The Greek minister told the press that he was no expert in that field but that he hoped that the results of the analysis to be carried out by their experts "will be favorable and will materialize in the signing of a contract."

Although no expertise was available at the time, Yerasimos Arsenis explained his intent to purchase Romanian-made helicopters in the following way: "The modernization of the army also implies the modernization of the helicopters." The IAR-330 Puma is a product manufactured in cooperation with Eurocopter of France and could meet the standards set by the Greek Army. After examining a helicopter on the final assembly line, the Greek guests concluded their visit in Brasov County by meeting the representatives of the Greek community in the county.

The Greek official delegation and the press travelled both by rail and air to reach Constanta. In front of the Navy Command headquarters in Constanta, they were greeted by Romanian Defense Minister Gheorghe Tinca. The last day of their visit concluded with an official dinner, which was also attended by the representatives of the Greek community living in Constanta. The two ministers said their good-byes at Mihai Kogalniceanu airport [near Constanta].

The Romanian defense minister termed the visit of his Greek counterpart "a useful and important event that has strengthened relations between our two Balkan countries." He emphasized the particular interest of Romania and Greece in cooperating in the domain of military equipment manufacturing.

Government Wants UMDR Council Statute Changed

LD2202172795 Budapest Kossuth Radio Network in Hungarian 1400 GMT 22 Feb 95

[FBIS Translated Text] The Romanian Government is ready to abandon its demand for the dissolution of the local government council of the Hungarian Democratic Union of Romania [HDUR; in Romanian, UDMR] if in return the HDUR amends the statutes of the body that consists of mayors. This was said by the Romanian Government's state secretary in charge of minority affairs when he received the HDUR's chairman.

The state secretary did not say how the local government council's statute should be changed. He only spoke in general terms about the need to bring it into line with the Romanian Constitution and law.

Proposed Moscow Peace Plan for Former Yugoslavia

AU2202165295 Paris AFP in English 1602 GMT 22 Feb 95

[FBIS Transcribed Text] Belgrade, Feb 22 (AFP)—Moscow has proposed a new eight-point peace plan for former Yugoslavia in coordination with France and Britain, an independent Yugoslav newspaper reported Wednesday [22 February].

The weekly TELEGRAF listed the eight points of the plan, whose existence could not be independently confirmed in Western diplomatic circles in Belgrade, as follows:

1. A summit would be convened, before March 31, under the auspices of the International Conference on Former Yugoslavia (ICFY), bringing together all the region's presidents.

2. All the former Yugoslav republics including Macedonia [The Former Yugoslav Republic of Macedonia] would formally recognise each other on condition of a final peace settlement in Bosnia between Serbs and the Croat-Moslem Federation and in Croatia between secessionist Serbs and Croatian authorities.

3. Simultaneously, sanctions would be lifted and an accord guaranteeing the immediate suspension of all military operations signed. (Sanctions would remain against the Bosnian Serbs until they reach an agreement on constitutional arrangements with the government in Sarajevo.)

4. The general arms embargo would remain for five or 10 years.

5. Bosnian Serbs would have the right to join the Federal Republic of Yugoslavia (Serbia-Montenegro) but only once a territorial division has been agreed with Bosnian authorities.

6. Observers and ICFY police would be deployed along the borders of all former Yugoslav states.

7. The UN Protection Force in Croatia (whose departure Zagreb has demanded by June 30) would become an ICFY Observation Force.

8. Each republic would be committed to recognising the others' passports and to give the ICFY a list of personae non grata on their territories, as well as a list of those accused of war crimes.

As it stands, the plan develops the French idea of reaching a settlement through the auspices of a peace conference. This latest plan was examined during talks last weekend between Russian Foreign Minister Andrey Kozyrev and Serbian President Slobodan Milosevic at Karadjordjevo in northern Serbia, TELEGRAF said.

The summit would also invite the president of the Federal Republic of Yugoslavia, Zoran Lilic, whose presence would amount to the de facto recognition by the international community of Serbia-Macedonia as the legal heir to the former Yugoslavia, the weekly said.

Ljubijankic on Importance of Russian Role in Crisis

AU2202180595 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1400 GMT 22 Feb 95

[Interview with Bosnia-Herzegovina Foreign Minister Irfan Ljubijankic by Mehmedalija Sisic in Sarajevo on 22 February—recorded]

[FBIS Translated Text] [Sisic] Minister Ljubijankic, yesterday's exchange of diplomatic notes between Russia and Bosnia-Herzegovina represents yet another form of recognition of Bosnia-Herzegovina. Could you comment on this, tell us what it means in practical terms?

[Ljubijankic] Yes, you are right. It is an additional sign of recognition. It strengthens our position in international relations. We have been recognized by over 100 countries, and we have established diplomatic relations with over 50 of them. Almost every day we make one such diplomatic step forward. Today, for example, the Indian ambassador presented his credentials here. This speaks of a stable international position of Bosnia-Herzegovina with a constant trend toward the improvement of that position.

As for relations with Russia, they are important to us because, among other things, Russia is one of the five permanent members of the Security Council, because Russia is one of the most important countries in the world as a global political factor, and particularly because it is deeply involved in the issues concerning Bosnia-Herzegovina both through the Contact Group and through its close ties with Serbia, that is, Yugoslavia.

It is significant that Russia is one of the few countries that can exert direct influence on Yugoslavia, that is, on Milosevic. And we have seen over the last few months a very constructive Russian approach when it comes to Bosnia-Herzegovina and pressure on Yugoslavia, that is, on Milosevic and Karadzic, to accept the Contact Group plan.

The exchange of these notes means the establishment of representative missions in Sarajevo and Moscow. We have even before had a representative office in Moscow, which was there with the silent approval of the Russian authorities, although it was not nominally a diplomatic mission. Now we have the right to establish one, and that is probably a step toward establishing relations on the ambassadorial level. We are satisfied with the establishment of diplomatic relations, and we will endeavor to deepen and strengthen these relations to ambassadorial level.

[Sisic] This exchange of notes comes immediately after Kozyrev's visit to Belgrade. The public [word indistinct] has had only negative reactions to this visit in Belgrade. Can one draw any conclusions from all this?

[Ljubijankic] The exchange of notes does not have a direct link with this. It was arranged during Prime Minister Silajdzic's visit, and even a month and a half ago we received clear signals here in the Bosnia-Herzegovina Foreign Ministry that something like this would happen. First, they invited a high level Bosnia-Herzegovina delegation, and then the notes were exchanged following Prime Minister Silajdzic's visit.

As for Kozyrev's visit and his talks with Milosevic, my comment is that the Russian efforts to that end are not over, that their efforts will continue regardless of Milosevic's negative response.

[Sisic] One more thing: The Independence Day of the Republic of Bosnia-Herzegovina is to be marked on 1 March. Have invitations been sent out to friendly countries, to representatives of friendly countries? Who are we to expect here?

[Ljubijankic] We will not invite anyone to come here. We will only invite those who are already here. We have instructed our diplomatic missions to mark that day with a modest, very modest reception. We are a country at war. We cannot allow great celebrations when the country lives off humanitarian aid. However, since this is the first time we are marking that day, we have instructed our diplomatic missions to have receptions for foreign diplomats, and inform them about the situation in Bosnia-Herzegovina, about the beginning and the causes of the war, and about the day we took to be our independence day.

[Sisic] Thank you Mr. Minister.

[Ljubijankic] Thank you.

Proposal To Exchange Bosnian Territories

95P20527A Ljubljana DELO in Slovenian 9 Feb 95 p 3

[FBIS Media Note] According to a report in the 9 February issue of the Ljubljana daily DELO, Bosnian Serb leader Radovan Karadzic has offered a land swap to Bosnian President Alija Izetbegovic. Karadzic was reportedly willing to exchange three Serb-held Sarajevo communities—Grbavica, Lukavica, and Ilidza—for the three Muslim enclaves in eastern Bosnia: Srebrenica, Zepa, and Gorazde.

"A high Bosnian Government official," DELO reported from Tuzla, had confirmed the news, saying that "the government has neither accepted nor rejected the Karadzic proposal." According to DELO, the purported land swap had alarmed people in Tuzla, among whom are 138,000 refugees from Serb-held territories. The proposal stipulated that the Muslim population of the eastern enclaves would be transferred to central Bosnia and that the Serbs in the three Sarajevo communities would be evacuated to the enclaves. The logistics of the population transfer would be handled by the UN Protective Force (UNPROFOR). The DELO reporter stated, however, that the UNPROFOR commander for northeast Bosnia, Swedish General Gunnar Ridderstad, had disavowed any knowledge of an evacuation plan. Questioned about the proposal, Jasna Halilagic, a member of the cantonal refugee commission in Tuzla, opined that such a territorial exchange would cause an "uprising." The Bosnian Army commander in Srebrenica, Naser Oric, was even more direct in his rejection of the proposal, telling the reporter that "such an option" could not even be considered and that the "trade-off" would not be allowed, adding that "these are our towns. Izetbegovic simply must not make such a decision." Explaining that the Tuzla canton, with its 850,000 people, was "the strongest canton" in Bosnia. He declared: "We will never allow bartering over the territories. We would replace the government if it made such a decision."

B-H Army, HVO Hold Talks on Joint Operations

AU2202195695 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1800 GMT 22 Feb 95

[FBIS Translated Text] As we have already said, a meeting was held in Jablanica today between the delegations of the Bosnia-Herzegovina Army and the Croatian Defense Council [HVO], led by Army General Rasim Delic and Gen. Tihomir Blaskic. The meeting was attended by Bosnia-Herzegovina Federation President and Vice President Kresimir Zubak and Ejup Ganic, and Interior Minister and Deputy Interior Minister Bakir Alispahic and Jozo Leutar.

The talks concerned a number of questions connected with the relations and the advancement of cooperation between the Bosnia-Herzegovina Army and the HVO. The implementation of the decisions from the previous meeting in Kresevo was analyzed, as well as the possible consequences of the withdrawal of the UN forces from Croatia, the effect of such a situation on the developments in Bosnia-Herzegovina, the engagement and joint operations by the units of the Bosnia-Herzegovina Army and the HVO on the ground, the engagement of officers of the U.S. Army in the formation of the Federation Army, and a number of questions in connection with the furthering of mutual relations, which were, by the way, assessed as good.

An agreement was also reached on the reconstruction of facilities of importance to the Federation, particularly in the special purpose production industry, which will be presented to the Government of the Republic and Federation of Bosnia-Herzegovina, as well as ways of solving certain problems that have been occurring at the local level.

Medical Aid Leaves Zagreb for Bihac

AU2202165095 Paris AFP in English 1535 GMT 22 Feb 95

[FBIS Transcribed Text] Zagreb, Feb 22 (AFP)—Eight tonnes of medical supplies and basic foodstuffs left the Croatian capital Wednesday [22 February] for the northwest Bosnian enclave of Bihac, Robyn Thompson of the International Committee of the Red Cross (ICRC) told AFP.

Surgical supplies were destined for Bihac hospital and other health centres in the Moslem Bosnian enclave where separatist Serb troops have besieged more than

180,000 civilians since May 1994. The food that is expected in Bihac Thursday is intended for public kitchens.

"We are assisting the local Red Cross in the Bihac enclave to operate public kitchens for at least 3,000 people in need," Thompson said.

After being blocked for two days, a United Nations High Commissioner for Refugees convoy early Wednesday reached Cazin, the second-largest in the Bihac enclave.

The free movement of aid convoys was on the agenda of UN special envoy Yasushi Akashi on Tuesday in Knin, capital of Croatia's separatist Serb region Krajina, where he had talks with rebel Serb leaders. UN Protection Force (UNPROFOR) spokesman Alexander Ivanko said the Serbs had assured Akashi that they would allow humanitarian convoys to go through the routes to Bihac under their control.

Second UN Food Convoy Reaches Bihac Enclave

AU2302101495 Paris AFP in English 0924 GMT 23 Feb 95

[FBIS Transcribed Text] Sarajevo, Feb 23 (AFP)—A UN food convoy reached the Bihac enclave in northwest Bosnia Thursday, the second in as many days to get to the besieged government area, a spokesman for the UN High Commissioner for Refugees (UNHCR) said here.

The convoy carrying some 100 tonnes of food was about to reach Cazin, in the centre of the pocket, after being allowed through lines held by rebel Moslems opposed to the Sarajevo government, spokesman Kris Janowski said. Another 100-tonne convoy reached Cazin on Wednesday.

Meanwhile, five more trucks, loaded with 55 tonnes of food for the rebel Moslems commanded by Fikret Abdic, were leaving Zagreb Thursday for Velika Kladusa, the town they control in northern Bihac, Janowski said. A French UN Protection Force (UNPROFOR) convoy with supplies for the Bangladeshi peacekeepers deployed in the enclave reached Coralici Wednesday, UNPROFOR spokesman Major Herve Gourmelon said.

Fighting has continued in the pocket, notably between government and rebel forces, to the east of Velika Kladusa. UNPROFOR reported 238 shell explosions between 8 a.m. Wednesday and 8 a.m. Thursday in the area.

There were also several shooting incidents in the Moslem-held eastern enclave of Gorazde where British blue helmets twice came under fire from Serb positions. Bosnian and Serb forces also exchanged heavy machine gun fire in the area. In the south of the country, three grave-diggers were wounded, one seriously, when they hit a mine while digging a grave, Gourmelon said. The incident took place Wednesday as the men worked just outside a cemetery at Potoci, near Mostar. It was not known who had planted the mine in an area which has been heavily contested by Moslems, Croats and Serbs.

RS Foreign Minister's Visit to Belgrade Viewed

AU2202142695 Belgrade NASA BORBA in Serbo-Croatian 22 Feb 95 p 24

[Article by A.N.B.: "Aleksa Buha in Belgrade"]

[FBIS Translated Text] Dr. Aleksa Buha, foreign minister in the government of the Srpska republic, has been visiting Belgrade, NASA BORBA has learned in well-informed circles. Minister Buha arrived on Thursday [16 February], as far as could be ascertained, "for private reasons." He waited for permission to enter the Federal Republic of Yugoslavia [FRY] for a week.

It is certain that, although on a private visit, Karadzic's minister took advantage of this trip to meet with Yugoslav and Serbian officials—definitely with Vladislav Jovanovic [FRY foreign minister] and "most probably" with Slobodan Milosevic. The circles from which NASA BORBA has obtained this information do not rule out the possibility of Aleksa Buha meeting with Russian Foreign Minister Kozyrev on Sunday [19 February] morning.

The contents and results of these contacts are not known; however, it is not difficult to assume that everything said must have referred to resolving the crisis in Bosnia and introducing Karadzic into the peace process, even if in this secret and limited way.

Karadzic, Martic Comment on Joint Defense Council

AU2202190595 Banja Luka Srpska Televizija in Serbo-Croatian 930 GMT 20 Feb 95

[Report by Vlado Slijepcevic]

[FBIS Translated Excerpt] [Studio announcer] The most military-political event of the day on the Serbian territories west of the Drina River has been the session of the defense council of the Srpska republic [RS] and the republic of Serbian Krajina [RSK] held in Banja Luka. The members of this joint coordination body met to make specific arrangements for cooperation forms in the event that the Republic of Croatia attacks the RSK. The council consists of the highest representatives of the political and military authorities of the two Serbian states. At the session, it was emphasized: If the Croats and Muslims were able to associate into an artificial community and get international support, it is our natural right to defend ourselves together if necessary.

[Slijepcevic] After the session of the defense council of the RS and the RSK a short press conference was held, attended by Dr. Radovan Karadzic, president of the RS, and Milan Martic, president of the RSK, as well as generals Milan Celeketic, commander of the Serbian army of the Krajina, and Manojlo Milovanovic, chief of staff of the army of the RS. Dr. Radovan Karadzic explained the reasons for forming the Joint Defense Council of the RS and the RSK:

[Begin Karadzic recording] We must realize that our enemies, that is, the Republic of Croatia and the Muslim-Croat Federation, have already signed an agreement on a military alliance. We have also witnessed the international community doing everything to unite the military and political forces of Muslims and Croats in Bosnia-Herzegovina with the aim, which they are not concealing, of joint fighting, that is, uniting in the fight against the Serbs. These elements require caution, a high degree of coordination, and a joint, not to say united, defense, because the number of foreign and domestic forces interested in the destruction of the Serbs and the Serbian lands west of the Drina River is very great. They do not have the right to do that, but there are no rights at present, and international law has been crushed, so we are relying on our legitimate and natural right to defend ourselves. [end recording]

[Begin Martic recording] This is a normal process of continuing the cooperation of the two young republics west of the Drina River, something that compels us to defend ourselves jointly for the sake of the biological existence of the Serbian people in these areas. With the forming of the Joint Defense Council we do not want to threaten anyone; on the contrary, we think that with a strong defense we can contribute to peace and to creating a balance against what the United States and other West forces have formed out of the Federation of Muslims and Croats toward the destruction of the Serbs. We can, naturally, not just sit and wait for charity, for what the Security Council or someone from the U.S. Senate will do, to see whether or not we will survive in these areas. We must defend ourselves, and one of the measures of defense is today's formation of the joint defense council, which will function in such a way that the army of the republic of Krajina and the army of the RS will perform joint operations in all the areas, wherever the territory is in danger. [end recording]

[Slijepcevic] Today we have performed the most natural task that has the highest priority in preparing the defense of the Serbian homeland west of the Drina River, said General Milovanovic, while Gen. Celeketic said that one nation with one faith has the right to defend itself together against a common enemy. [passage omitted]

Martic Promises Karadzic To Unite Serb Lands

AU2202174795 Korenica Srpski Radio Korenica in Serbo-Croatian 1800 GMT 17 Feb 95

[Report by Milan Filipovic on visit by Bosnian Serb leaders Radovan Karadzic and Momcilo Krajisnik and Croatian Serb leader Milan Martic to Bosanska Gradiska on 17 February; report includes statement by Stojan Todorovic, director of local "Metal" firm—recorded]

[FBIS Translated Text] Today's visit by Radovan Karadzic, the president of the Srpska republic [RS], and Momcilo Krajisnik, president of the national assembly, attracted considerable attention. After they had opened the Nova Topola waterworks and visited the state-owned "Olivit" firm in Gradiska, these two prominent officials, who were later joined by Milan Martic, president of the republic of Serbian Krajina [RSK], met with representatives of executive bodies of the Gradiska municipal assembly and of the Serbian Democratic Party [SDS], and directors of major firms in the area.

[Karadzic] Our nation was free, it has been free for the past three years, and it will be free again. And when those businessmen who met with President Milosevic in Belgrade came to us, we agreed that they should go and visit him, so that they, too, should try to do something. And, unfortunately, there was nothing that they could do, because this blockade at the Drina is terrible. We finally told them, when we departed: Gentlemen, we have seen what you managed to get in Belgrade, our capital, in Serbia, our mother country, and from the nation that is supporting us 100 percent, and perhaps 95 percent of people want reconciliation and for the borders to be opened right away, but what you have had from the SDS, you can have only from the SDS: freedom.

[Krajisnik] As President Karadzic says, we are working collectively, respecting one another, and we would like those characteristics to be prominent in every situation, every area. The characteristics of this area, your area, is the general feeling of hospitality, where people receive you with an open heart, people with determination and clear goals.

[Filipovic] And after Mr. Radovan Karadzic, president of RS, and Momcilo Krajisnik, president of RS national assembly, there were many questions and statements regarding the difficulties facing the local economy and also regarding political relations, especially between the RS and the FRY [Federal Republic of Yugoslavia].

[Krajisnik] The breaking off of all traffic, political, and economic ties at the beginning of August last year arrested almost all economic relations.

[Todorovic] We were not able, and we are still unable, to export our goods to the FRY, although they have asked us to. For example, the well known Vranje factory "Simpo" needed some 90,000 dinars worth of our products. We could not deliver the goods, so in the meantime, they imported what they needed from Belgium, via Russia—400,000 dinars worth of such products. Or, for instance, we are unable to import the goods that was paid for a long time ago: We are unable to export about 600 metric tons of material to Smederevo iron works, to get money for already delivered goods, etc.

[Filipovic] The speakers focused on the difficulties in farming and agriculture, and Borivoje Sendvic, minister of agriculture, announcing a government session in the Mladen Stojanovic farming cooperative in Nova Topola, presented some encouraging news.

The situation in the neighboring RSK attracted much attention. President Milan Martic commented on that:

[Martic] We are an integral whole, one territory, whether they like it or not. We are one state and we will never let anyone divide us any more. Though we are definitely not united at present, rest assured that it will soon happen. You must only wait a while, but we will not allow anyone to break us up, divide us, or establish borders at the Una, Mt. Dinara, the Sava, or anywhere else. Nobody will ever put any more borders between the Serbs.

[Filipovic] On this occasion, he said he believes there will not be a new war between the RSK and the Republic of Croatia, but emphasized that all Serbs are determined to defend their territory.

'Mysterious' Aircraft Supplying U.S. Green Berets

LD2202192495 Belgrade TANJUG in English 1751 GMT 22 Feb 95

["Pool" item; By Novica Andric]

[FBIS Transcribed Text] Belgrade, Feb. 22 (TANJUG)—In some of their aspects, the reports by the U.N. Protection Force [UNPROFOR] about flights of unidentified aircraft over the airport in the northeastern Bosnian town of Tuzla in the past ten-odd days have resembled science fiction.

The aircraft have been seen by an imperfect human eye, heard by an imperfect human ear, but they have not been registered by the never-failing perfect electronic devices of NATO, Europe's mightiest military alliance. To all appearances, this is just 'an unmysterious mystery'. This is at least how the Tuzla airport 'phenomenon' has been seen by Stojan Jovic, an expert in special actions and colonel of the former Yugoslav People's Army.

Jovic, who has long commanded the 63rd Airborne Brigade, believes that this is merely 'one in a series of actions carried out in the territory of former Yugoslavia by special units of the United States pursuant to the U.S. doctrine on Foreign Internal Defense (FID) which presumes defending the friendly countries from external threats.'

These actions aim at supplying equipment to the special U.S. Army 'green beret' units which have for some time now been training the Muslim Army in the former Yugoslav Republic of Bosnia-Herzegovina torn by a three-year-old war, Jovic maintains. The presence of such units in Bosnia-Herzegovina is an open secret because assigned with them last year was U.S. General John Galvin, says Jovic who has recently brought out a book about special forces.

The NEW YORK TIMES newspaper has recently announced that the retired U.S. General Frederick Franks, a veteran of the Vietnam and Gulf wars, would soon arrive in Bosnia-Herzegovina. Gen. Franks would be assigned with forming a joint army out of the Muslim and Croat forces in the binational (Muslim-Croat) Federation in Bosnia-Herzegovina in keeping with the Washington Agreement signed March, 1994, the paper said.

Jovic said that the green beret units were supplied by means of special aircraft, MC-130H combat Talon II. These are, he said, the 'mysterious' aircraft that allegedly passed unregistered even by NATO's most up-to-date electronic devices.

The cargo unloaded in Tuzla, Jovic believed, consists most likely of specific electronic equipment for scouting, satellite telecommunications, radars, and infrared sights. This equipment, he said, is then forwarded to particular destinations by helicopters that have also been sighted by observers.

The unidentified fighter planes escorting the MC-130H's spell no mystery either, said Jovic and added that these are the routine NATO patrol planes overseeing the 'no-fly' ban over Bosnia around the clock. It was by no accident that the patrolling fighters were well synchronized in time and place with the combat Talon II planes, escorting them.

Irrespective of its mission, every aircraft entering air space over Bosnia must be beforehand reported to the NATO Naples command, or else it risks being downed by 'friendly fire', said Jovic. It may be concluded, says Jovic, that this is just an unskilful attempt at concealing the fact that the arms supply ban is being violated daily and that the Muslims in Bosnia-Herzegovina, through lavish foreign assistance, are getting ready to carry on the war.

Electricity Transmission to East Mostar Impeded

AU2202200695 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1800 GMT 22 Feb 95

[Report by Zlata Behran from Mostar]

[FBIS Translated Text] Yesterday had been announced as D-Day for the eastern part of the city. After over two years the eastern part of the city was supposed to get electricity, which would have made life easier for the people. Firm promises had been given from all sides, after all agreements, and European and U.S. interventions.

However Edhem Bicakcic, director of Bosnia-Herzegovina Electricity Board, was not particularly upset with the failure of the agreement. He said: We were expecting a 110 kw transmission line to be connected to the system, as everything is ready on the technical side. The Croats are conditioning the flow of electricity to the eastern part of the city on a joint repair operation on the Salakovac hydroelectric power station, which is owned by the Bosnia-Herzegovina Electricity Board and which is under the control of the Bosnia-Herzegovina Army. We could not accept such illogical conditions. We offered them a joint repair operation on the Mostar hydroelectric power station, which the Croat side did not accept, Mr. Bicakcic said.

Very little has been achieved in all the talks with the Croat side, so the realization came that we have to solve the problems of the state-city relation. That is why the Bosnia-Herzegovina Electricity Board has come up with a plan and some of the resources needed for the repair of Salakovac. The Croat side is not happy about this, and the representatives of the authorities in the western part of Mostar have issued threats if we go ahead with the plan.

Edhem Bicakcic said that preparations had been made to deliver electricity to the eastern part of Mostar from

Bosnia. Therefore, a transmission line will be constructed between Bijelo Polje and (Zalik), which will supply the city with a sufficient amount of electricity. Asked how long the work would last, he said three months. If in the meantime those who make decisions in the western part of Mostar were to allow electricity through to their neighbors in the eastern part of the city, then it would be a goodwill gesture.

The representatives of the authorities of the eastern part of the city also did not show much excitement at the negative response to the demands for electricity. They are used to such things. The Mostar people say that they do not mind being in darkness for another three months. They have gotten used to being in darkness, and will not be defeated by it.

Let us add that it is a pity that the 110 kw transmission line was not connected to the system yesterday, primarily as it would have been a sign that the Federation would get at least a breath of the Mostar air.

Croat Official on Mostar-Zagreb Air Link

95BA0142A Mostar HRVATSKI LIST in Serbo-Croatian 20 Jan 95 pp 8-9

[Interview with Ilija Kozulj, minister of transportation and communications of the Croatian republic of Herceg-Bosna, by Miljenko Karacic; place and date not given: "Mostar-Zagreb Air Link Close to Realization"]

[FBIS Translated Text] In the time just past, important results have been achieved in the Croatian republic [HR] of Herceg-Bosna in the sector of transportation and communications. Although the war has inflicted immense damage on that sector, the system of transportation and communications has been functioning—one can confidently say—irreproachably. The credit for that certainly goes to the Ministry of Transportation and Communications of Herceg-Bosna. We learned what has been done so far in that ministry and what they plan to do to improve the situation still more in a pleasant conversation with Ilija Kozulj, the minister.

[Karacic] When did the past and present activities of the ministry you head originate?

[Kozulj] When the Croatian Defense Council [HVO] of the Croatian Community [HZ] of Herceg-Bosna was formed, transportation and communications were a subdivision of the economy. In the period before the war and in the first days of the war, the obligation was to find alternative solutions for transportation and communications, because it was assumed that the usual flows of transportation by highway and rail would be threatened. They were in fact threatened because the enemy occupied some of the routes. Normal telecommunications and postal links were, in fact, severed. Engineers in the HVO and people in highway and postal enterprises were exploring ways of reestablishing traffic under the new conditions. It was particularly important to establish a new highway with central Bosnia. Much was done, then, to build a salvation highway. The first road was made over Vran, and then from Prozor toward Fojnica. Flows of mail and telephone traffic were reestablished in an agreement with the telecommunications and postal center in Split. In spite of the difficulties, virtually throughout the war Croatian areas had telephone communication with one another and with the outside world.

[Karacic] When the government of HR Herceg-Bosna was formed, the Ministry of Transportation and Communications was established, which you came to head. What was characteristic of that period?

[Kozulj] In that period, we tried to do more to organize public enterprises for each sector. That was our primary task. We organized a number of public enterprises within the ministry, the Public Highway Enterprise, the Public Railway Enterprise, the Public Postal and Telecommunications Enterprise, the public enterprise Mostar Airport, the public enterprise Croatian Radio Herceg-Bosna, which were associated with our ministry in the absence of any other organizational form, and the public enterprise Transmitters and Communications. We also organized the Highway Carriers Association, the Automobile Club, and the Association of Ham Radio Clubs. All the enterprises have their own separate management, boards of directors, and bylaws; they draft their own operating plans; and they submit annual reports to the government.... The first segment of the tasks, regardless of what sector we are talking about, is maintaining traffic; the second is the segment of reconstruction; and the third is possible development.

[Karacic] You have already indicated certain results in the sector of highway transportation. Tell us a bit more about this sector and the role of the Public Highway Enterprise.

[Kozulj] Within the public enterprise, there are engineering offices that see to highway maintenance in both winter and summer. The engineering offices have been established in Mostar, Kiseljak, and Orasje. There are still engineering offices within the Roads enterprises in Grude and Livno. We wanted above all to make the enterprise operable. There was no equipment, and personnel were on the battlefield. Today, those enterprises have stabilized quite a bit, and today we are endeavoring to separate the engineering offices from the enterprises and round out our public enterprise. In addition to the organizational affairs, we have done road repairs on the territory of Herceg-Bosna, both in the Sava Valley and also in central Bosnia-Herzegovina. We have also had several major projects, such as paving the sections Tomislavgrad-Lipa and Varvara-Prozor. We also did quite significant repairs on certain sections in the area of Herzegovina; we did large projects such as the bypass at Siroki Brijeg and the approach to the bridge over the Neretva, which brought Gabela and Visice closer together, near Capljina. We also made preparations to complete the road down Varda. As soon as the weather allows, the section from Krusevo to Rodoce down Varda will be paved. Although it is the task of the public enterprise to maintain both main and regional roads, neither has been neglected.

[Karacic] Have roads in HR Herceg-Bosna been categorized, or is the earlier classification being used?

[Kozulj] The categorization has not been completed. We devoted last year mainly to highway maintenance, as I have already said. We should not commit ourselves more deeply to highway reconstruction and construction without a long-range concept. Right now, in fact, we are preparing a conference for 28 January in Mostar. It will examine the strategy for development of the highway network in Herceg-Bosna. We have already done a preliminary study. We will include in that conference specialists from the Republic of Croatia and most of the people in this field in Herceg-Bosna. In that way, we should lay the groundwork for shaping a development concept of the highway network of Herceg-Bosna. This presupposes establishing the main highway routes, categorization of the highways, criticism of the organization for highway maintenance and construction. We need to do everything in a way that suits the Croatian people in Herceg-Bosna and the Federation, at the same time respecting present-day world trends.

[Karacic] Highway traffic has been continuing in spite of the war. However, rail traffic has been reduced to a minimum. What is the situation in railroad transportation, and what is planned to correct it?

[Kozulj] In spite of the fact that the railroad trestles in Mostar were destroyed and Mostar is still a war zone, the Herceg-Bosna Public Railway Enterprise has nevertheless been organized. With the help of the Railway Enterprise in Croatia, transportation is being maintained from the port of Ploce to Zitomislici. The other day, a trial run was made from Bacevici to Ploce. We have received from France two barges for railroad cars, which we can use to avoid the demolished bridges, and this could be significant in getting the Aluminum Combine going again.

The public enterprise has organized its own departments. The question of an administrative building has also been settled. An agreement has also been reached concerning joint financing of the construction of two railroad trestles in Mostar. Construction is to be financed by the German Government, but a joint body has been established between the Croats and Bosnian Muslims to coordinate efforts. Decisions are made by consensus. The body is headquartered in the western part of Mostar.

[Karacic] Air transportation inevitably crops up in any discussion of freight and passenger traffic. Are there prospects for Herceg-Bosna to be connected by an airline above all with Zagreb, but also with other parts of the world?

[Kozulj] The Mostar Airport was destroyed. Our estimate is that its reconstruction would take 13 million German marks [DM]. Two airports have offered us help with equipment. The Maastricht Airport offered us three snow-removal machines, and the Toulouse Airport has offered us waiting-room furniture. The other day we also received an interesting offer from the private company Delta Tours in Ploce, which is already collaborating with the seaport in Ploce to organize air traffic from Zagreb to Ploce. They have an airplane that can land even on grass. We are examining the possibility of arranging some space near Mostar for such an airplane to land and take off. We have three possibilities. Part of the runway at the Mostar Airport was left undamaged. About a kilometer of runway was preserved, and this aircraft needs only 700 meters to take off. The second possibility is at the heliport, and the third, perhaps the most likely at this moment because security is in question, is preparing a site in Mostarsko Blato. If we find the interest, this could be a solution until an airport is built at Mostar. Of course, those would be exclusively flights to Zagreb, where there is great interest on the part of business people. But when we think about these problems, we must always be mindful of Medjugorje and the development of religious tourism.

[Karacic] Herceg-Bosna has an outlet to the sea, by contrast with others which dream of an outlet to the sea. Is there an interest in maritime transportation?

[Kozulj] One of the things we have done in the ministry is to update the work of the Port Captaincy in Neum. We have updated their office space, and we have found professional personnel for that job. Right now, we are in the phase of reregistering vessels and issuing permits for vessels.

[Karacic] Significant results have been achieved in the telecommunications field. Toward the end of the year, communications were improved with central Bosnia. It is also easier to get through to Mostar than it was in the months of war. Is this the final situation?

[Kozulj] We have set up the telecommunications and postal centers by regions. Immense damage was done to telecommunications in Mostar. Ties between the Mostar transit area and other areas of Bosnia-Herzegovina and with the Republic of Croatia were severed almost entirely. The links went by cable along the valley of the Neretva or by radio-relay devices, with the main one in the area of Stolac, and the aggressor destroyed it. All communications were broken off, and we had to organize a rerouting of all traffic from Herzegovina and part of Bosnia to Split. This was done with a modicum of success. We have established a new communications system between Mostar and Split with nearly 2,000 channels. This is a very up-to-date digital system, which was installed last September. The telephone office in Mostar is again in operation; it was damaged but not destroyed. Its reconstruction and modernization cost DM1 million. We have also managed to provide Herzegovina and Dalmatia a telephone link with central Bosnia, a digital radio-relay system with a capacity of 2,000 channels. In addition, new telecommunications links and an office for Stolac have been set up, and work is being done to establish completely new communications for Ravno. In Neum, the office has been rebuilt and expanded. All that is left there is to provide solutions for the neighboring places of Hrasno and Gradac. In cooperation with the Croatian post office and telecommunications, an optical cable was installed in record time between Tomislavgrad and Kupres. Construction of a new radio-relay link for Livno is in the final stage. In the Sava Valley, we linked Domaljevac and Orasje. Zepce has been linked to Slavonski Brod. We will soon install a new office in Usori and link it to Zepce. We are also planning to work out something for our enclave in Brcko. Soon, we will be installing an office in Uskoplje and solving a very problematical linkage route.

[Karacic] How is the mail going?

[Kozulj] There are no problems with the mail. We have our own transportation over the entire area. We are even offering services to the Bosnian Muslim side without any compensation. Under an agreement dated last July, we take their mail and the mail addressed to them. In addition, we have offered the Bosnian Muslim side a telephone link to Mostar and Split from Sarajevo, because we have a sufficient number of connections. However, the Bosnian Muslim side, headed by Ibrahim Koludjera, minister of transportation and communications, has not shown an interest in this. The Postal Enterprise is fairly stable. It has a self-financing capability and can invest in its own reconstruction and development. This year, we will be trying to increase the number of telephone connections in some places, first of all in Siroki Brijeg, Medjugorje, Grude, Posusje, Mostar, Tomislavgrad....

[Karacic] On several occasions in this interview, you have already touched upon the question of cooperation with the Bosnian Muslim side at the federal level. What are the main disagreements, and how are they to be avoided?

[Kozulj] There have been a great many problems about license plates and our transportation documents. We resolved that issue after the Washington documents were signed. The next problem was obtaining permits for carriers carrying goods within the country, where such an agreement exists. The federal government gets such permits. We have managed to obtain a certain amount of permits for our carriers. In addition to this problem, we should also mention the problem of registering bus service. We are also seeking formation of a joint body here that would meet regularly and work out problems.

[Karacic] That leaves us with the problems of transmitters and communications. What can you say about that?

[Kozulj] We as a ministry are concerned about use of the frequency spectrum on the territory of HR Herceg-Bosna, although this question is in the jurisdiction of the Federation. Thanks to temporary operating permits for users of various radio devices, we will make the effort easier when a final agreement is reached at the federal level. We have also been providing financial help to certain local radio stations. As for television, I can say that with our transmitters we have made it possible to watch the broadcasting of Croatian television. At the Cubren relay station, we have put in operation a 500-watt transmitter, which has improved reception of the broadcasting of Croatian TV in central Bosnia and facilitated reception in a part of Sarajevo. Two transmitters have been put into operation in the Rama area. We will soon put in operation a transmitter in the Stolac area and at Tusnica in the area of Tomislavgrad, Livno, and Kupres. We have kept our maintenance personnel. We have a conception for development in this area, and an effort is nearing completion to establish the public enterprise Radio-TV HR Herceg-Bosna.

[Karacic] Finally, say a few words about the actual organization of the ministry.

[Kozulj] I am joined in the ministry by my deputy, Pavo Boban, and assistants for particular areas. There are also departments through which certain technical matters are handled. Altogether, there are not many staff members, because our idea was to organize the job properly in the enterprises. We are using our public enterprises as our own technical and professional foundation. There are not many of us, but we are well equipped. We have good communication with all our opstinas. We are on top of our problems. We are very well organized and informed. There are certain things that I would like to improve and to begin in a longer time frame. The attitude toward work and order in the firm needs to be corrected. It is especially important to improve the system of preventive maintenance in transportation of all kinds. We have lost personnel in these times. We have lost step with the present-day world. We have to catch up.

Official Condemns Yugoslav Tendencies

95BA0141A Mostar HRVATSKI LIST in Serbo-Croatian 27 Jan 95 pp 6-7

[Interview with Bosiljko Misetic, commissioner of Croatian President Franjo Tudjman for issues of the confederation between the Republic of Croatia and the Federation of Bosnia-Herzegovina, by Slobodan Lovrenovic; place and date not given: "It Is Enough for Croats and Muslims To Figure Out What the Serbs Want—and Do the Opposite"]

[FBIS Translated Text] A little more than a month ago, President Tudjman appointed Bosiljko Misetic as his special commissioner for the establishment of the confederation between the Republic of Croatia and the Federation of Bosnia-Herzegovina. This reinforced the composition of the Croatian team whose duty it is to do everything it can to achieve, as soon as possible, the conditions for implementation of the Washington agreements.

Bosiljko Misetic is otherwise a well-known Zagreb attorney who worked in the same office with current Prime Minister Nikica Valentic until the democratic changes occurred, when he—followed by Valentic—entered politics. He was born in western Herzegovina and he often goes home to the village of Grabovina, near Vitina. Misetic studied law in Zagreb, where he has continued to live to this day. Married, the father of a son and a daughter, he became actively involved in politics back in 1990. As a member of the HNS [Croatian People's Party], he became a minister in the government of national unity, in charge of administration and justice.

Later, because of a disagreement with party policy, he left the HNS and founded the Croatian National Democratic League (HNDL), where he became a member of the Group of Three that led the party. Midway through last year, he became one of the most important leaders of the Croatian Nation-Building Bloc, a group of nine parties, predominantly with a rightist orientation. Although close to the nation-builders and even willing to abandon his lucrative law practice in order to help with the shaping of the Croatian state, he has never been a member of the HDZ [Croatian Democratic Community].

[Lovrenovic] Mr. Misetic, you recently left your law practice and joined the state apparatus. Have you taken on a difficult job, or does it only seem that way?

[Misetic] It is true that I have given up my law activities and accepted the offered job. There is no pathos whatsoever here; rather, it is an honor at this moment to be named to a job that I would not call important as much as responsible. Specifically, what we continually forget is what I frequently say: Not only for geopolitical reasons, not only for economic reasons, not only for reasons of protecting Croat interests in Bosnia-Herzegovina, Croatia will fail or succeed on the issue of Bosnia.

[Lovrenovic] Does that mean that you are a little afraid?

[Misetic] No. Aside from the fact that it is a compliment and an honor, I take this job relatively seriously. I think that this is the political moment when Croatia can achieve not particular, but rather significant advantages in the territory of Bosnia-Herzegovina.

[Lovrenovic] Can your appointment be interpreted as an attempt to get beyond the crisis of Croat-Muslim relations in Bosnia-Herzegovina or is it just an attempt to strengthen the "Croat team"?

[Misetic] If this appointment were some special honor and privilege, it certainly would not have gone to me. In any event, I assume that my appointment also reflects the intention of the president of the Republic to offer a person who will be in a position to provide some new content, which is not to say new quality. The essential thing is to observe Bosnia-Herzegovina.

[Lovrenovic] What is your view of the Croat position within these tendencies?

[Misetic] If the Croats want the Federation, but on the Croat side there exists the political will for confederation within the Republic of Croatia as well, just as there exists a certain will for the establishment of the Federation within Bosnia-Herzegovina and Herceg-Bosna, but not in a way that continues to be bound to certain solutions from romantic fervor, which was admittedly well-intentioned—about Muslimhood as the flower of Croathood on the one hand, or Muslimhood as exclusively fundamentalism and mojahedinism on the other hand. The fundamental issue over which common cause is being made is the question of whether this is a turnaround in Croatian policy regarding Bosnia-Herzegovina. I am not currying favor with anyone, but I think that Croatia has no reason to have any sort of complex in relation to its policy toward Bosnia-Herzegovina. This is not a turnaround. This is continuity.

[Lovrenovic] Where does Herceg-Bosna fit into all this?

[Misetic] The question of Herceg-Bosna is often raised. Many people, even in the Croatian opposition, tend to object that Herceg-Bosna is the institution that broke up Bosnia-Herzegovina. I think that that is a fundamental political fallacy. The Croatian state for its part has continually and systematically attempted to recognize and protect Croat interests in Bosnia-Herzegovina. It is clear that this process of recognizing, defining, and protecting has taken place in the context of time, encirclement, and possibilities, so that the impression is that this policy has been a policy of momentary responses to the political situation. However, the HR [Croat republic of] Herceg-Bosna and the HVO [Croat Defense Council] are a sign that Croatia has indeed recognized and protected these interests. I would not care to say whether this has been done in the best possible way. I think that there is never a case where one thing, one event, is such that it could not have been better.

[Lovrenovic] Concretely speaking, was Herceg-Bosna an attempt to destroy Bosnia-Herzegovina?

[Misetic] If it were not for Herceg-Bosna and the HVO, the Croat question in Bosnia-Herzegovina would not have been resolved as a political question; instead, it would have been resolved as a humanitarian question. On the other hand, if it were not for Herceg-Bosna and the HVO, Alija Izetbegovic, based on the prescribed Serb majority formula, would have placed Croats within Bosnia-Herzegovina in a position where they would find themselves in a Bosnian cauldron of the social state of citizens, which the Croats do not want and will never accept in Bosnia-Herzegovina.

[Lovrenovic] Bosnia-Herzegovina Prime Minister Dr. Haris Silajdzic recently told me in an interview that the question of confederation is controversial from the Croat side. He alleges that Croatia has problems in this regard, connected to the constitutional arrangement, the necessary referendums. Is that true?

[Misetic] That is true if relations within the Federation were to be established based on the majority principle, which the Croats within Bosnia-Herzegovina will be able to recognize and oppose. That is why the confederation and Federation cannot be constructed and linked only politically, but also institutionally. But before that and before everything, the institutional link between Bosnia-Herzegovina and Croatia through the Federation and confederation must clear up the consequences of, as I often say, the staged war rather than the imposed war between Croats and Muslims. The question is often raised, and today that is becoming an obstacle to the establishment of the Federation, in mutual accusations about the causes of the war between Muslims and Croats. Every war is unnatural and irrational; however, war between Croats and Muslims is decidedly irrational and decidedly unnatural.

[Lovrenovic] How are we to move beyond the legacy of that war, which did in fact happen?

[Misetic] That which the Croats, in establishing the Federation, in defining the causes of war and that maximum to which they can go in that collectivity, which is tolerance of the individual position in any reciprocal efforts to harmonize positions, are not responsible for the war and should not casually agree to the concept of exclusive blame that is being imposed on them. If they want the Federation, then they must see that the war between the Croats and Muslims is a war that the majority of the Croat corpus did not want and that the majority of the Muslim corpus did not want. That this is a war that was generated by world secret services who certainly did not want good Muslim-Croat relations but were instead interested in a Greater Serbia or at least the restoration of some new Yugoslavia in this region. But the territory of Bosnia-Herzegovina is the most worthwhile, as we know from observing the real situation in the recent past. Thus, the Croats and Muslims must declare together that this is a war generated by international secret services, a war generated to a large part by the remainder of the KOS [Yugoslav Counterintelligence Service], which is still in place in the territory of Bosnia-Herzegovina, a war that was in a certain sense also generated by—let us be frank—the lack of an adequate quantity of political reason on both sides.

[Lovrenovic] Can this common purpose be established between Croats and Muslims despite the war and its casualties?

[Misetic] War produces certain consequences. These manifest themselves in certain frustrations, which are an obstacle to the establishment of an alliance. In order for an alliance to be truly established, it must be based on the principle of the common threat to Muslims and Croats from the common enemy. That is the principle on which an alliance must be built, most of all military actions to jointly liberate occupied territory. That is the precondition for partially clearing up the frustrations of war, which will be very difficult, and for entering into political and other alliances, all the way up to the level of the Federation and confederation. If the alliance and Federation are the expression of political will within the Federation of Bosnia-Herzegovina, then there will be no reason for the Croat nation not to support a confederal link between the Federation of Bosnia-Herzegovina and the Republic of Croatia in a possible referendum, or any obstacle to that.

[Lovrenovic] Now the Federation itself is a problem. Do you not think that things are progressing poorly?

[Misetic] I think that there is no well-intentioned Croat or Muslim who would not want to see the Federation established as soon as possible. But in the realpolitik of frustrations that have emerged in this territory, what is needed is enormous patience, an enormous feeling for the resonance of a political move and every other move. Much more tolerance and mutual esteem is necessary, but also the recognition that the Federation clearly suits the Croats, while the Muslims must recognize—and I believe that they have largely recognized this—that an alliance with the Croats is useful to them as well. Because if they do not enter into an alliance with the Croats, first of all they will not have their own existence, and thus they will not have their own state either. If they miss out and do not establish an alliance with the Croats at this political moment through a realistic judgment of the balance of power in this region, I think they will be to blame for their own destruction.

[Lovrenovic] Do you think that after more than 100,000 dead the current Muslim political leadership can accept something that it rejected at the beginning of the war?

[Misetic] We political observers must diagnose what caused the darkness of the Bosnian war in this region. Most of all, it is necessary to see what the Serbs want and have wanted. Unlike the Croats and Muslims in the territory of Bosnia-Herzegovina, they have several variants. The primary variant is the establishment of a Greater Serbia by annexing severed territories of Bosnia-Herzegovina and severed regions of Croatia, thus legitimizing the occupation and providing amnesty for the crimes. They also have the "if not that" variant. That is some sort of Yugoslavia, without Slovenia and Macedonia [The Former Yugoslav Republic of Macedonia], which in the end is in turn Greater Serbia, although a little more slowly. They also have a third variant. It is a confederal link between Serbia and the occupied territories of Bosnia-Herzegovina and the severed territories of Croatia. What are the Croats and Muslims to do? Figure out what the Serbs want and do the opposite. They will never go wrong that way.

It is also necessary to figure out who the protagonists are of the tendencies that created the darkness of the Bosnian war among the Muslims. We must not ignore the fact that among the Muslims the most significant and strongest tendency is fundamentalism, the ideological father of which is Alija Izetbegovic, who back in 1990 called for a "jihad," with all the consequences of the "jihad." In politics you have to speak out, and I believe that that is how it is—thank God that he reversed his position.

[Lovrenovic] Do you not see any other problems and dangers?

[Misetic] The most dangerous tendency that stands in the way of the alliance and Federation is the tendency of Yugoslavism that is rather strong within the Muslim corpus but also has a base of support in certain Croat intellectual circles, especially some Croats from central Bosnia. They are not anti-Croat, but because they had very little time to get used to the Croat national identity, because Croathood first appeared to them at about the same time as the first shells, and up to then they had lived in the comfort of Yugoslavism. It is not because of a lack of Croathood, but simply because they cannot regard Croatia and the Croat essence outside the context of Yugoslavia, and herein lies their problem. This tendency is the most dangerous because it is the most noticeable, while it conceals a terrible number of pitfalls for both Croats and Muslims in this region. Among Muslims, another dangerous tendency is Muslim nationalism, where I believe that Silajdzic is a protagonist of Muslim nationalism in some regards. A man who was educated at Muslim religious schools. Schooled at Western political universities. He is a strong advocate of Muslim national interests, which place the national above the religious. Politically lucid. A terribly hard defender of Muslim national interests and in my judgment the most transparent figure for Croats in Bosnia-Herzegovina precisely because the tendency of fundamentalism is the antipode of the particular Croat radicalism that rejects both the alliance and the Federation. I think that Muslim nationalism can agree with the concept of a common threat, a common interest in establishing the Federation. I am certain that for now there is suitable critical political mass on both sides for the establishment of a Federation on the principles of mutual esteem.

[Lovrenovic] Nevertheless, does it not seem to you that the disagreements surrounding leading posts in the Federation or the failure to implement the Tudjman-Izetbegovic agreement say a great deal about obstruction of the Federation?

[Misetic] In politics one must accept reality. Everyone wants to extract from the darkness of the Bosnian war the maximum for his own nation. The Croats must be aware that it is difficult for the Muslims to lose that which they have earned by the gun, which is the most normal tendency of a nation that is ultimately affirming its identity in this war. The Muslims are now experiencing an eruption of religious identity and in some places are realizing this militarily.

[Lovrenovic] The displaced persons are disappointed. They had hope after the Washington agreement, but now...?

[Misetic] There are major pitfalls here. Take the fact that 95,000 Croats and 35,000 Muslims have been displaced from the 15 opstinas of central Bosnia. In absolute terms significantly more Croats than Muslims, in relative terms many, many more Croats than Muslims. However, the Muslims must count on becoming nonperipheral in Bosnia-Herzegovina in the political, culturological, or national sense, while the Croats are dependent on Croatia, which many even in Croatia describe as "hard-line" and radical. But in the view of Croats, it must be recognized as normal that the Croats of southern Bosnia-Herzegovina have been dependent on Croatia historically, for centuries, that they want to be not a constituent element of the Croatian political corpus, but rather a constituent element of the Croatian state corpus. Also, in this war there is the phenomenon that there are no winners and losers, but conditionally speaking the winners and losers have split in such a way that the majority of the so-called winners are against the Federation while the majority of the so-called losers are for the Federation. However, when I say that both the Federation and the alliance with the Croats are primarily in the interest of the Muslims as a guarantee that they would have their own existence and state, they must respect the fact that there are so-called peripheral, radical Croats who are not particularly interested in the Federation. If the Muslims want the Federation, they will have to try to return all the Croats of central Bosnia whom they have expelled from their homes. If it were not for the Croats of central Bosnia, no one in Bosnia-Herzegovina would want the Federation. This although among the Muslims there are certain circles that see in this a real opportunity to set up their own Muslim state in Bosnia.

[Lovrenovic] President Zubak once said openly that there is significant opposition to the Federation within the leadership of Herceg-Bosna. Is that true?

[Misetic] It is quite normal that there is. However, it is essential that there exist political will and a serious political assembly, and if the Croat nation in Bosnia-Herzegovina realizes that the alliance is useful to them, that the Federation serves their purposes, then it will be able, internally, to resolve the situation in terms of affirming people who are for the Federation while distancing itself somewhat from people who are an obstacle to that Federation. However, there is another issue. There is the pitfall that the Muslims are designating to us who among us is transparently for establishment of the Federation and who is not. Everyone defines, arranges, and potentially cleans out the things in his own back yard. The Croats should not do what they previously did with Mate Boban, in an act of goodwill, without getting into whether Boban is good or bad, but never again will Croats fall into the trap of, based on a traditional Croat submissiveness and in a certain sense Croat orthodoxy, bringing down one of their own without the other side even lifting a finger. At the very moment when Herceg-Bosna removed or displaced Mate Boban as the representative of the Bosnia-Herzegovina Croats, the Muslim side should have done the same with Alija Izetbegovic at the very least.

Granic: No 'Deals' Regarding FYROM, B-H

AU2302123195 Sofia STANDART NEWS in Bulgarian 18 Feb 95 p 10

[Interview with Foreign Minister Mate Granic by special correspondent Lyubcho Neshkov; place and date not given: "There Are No Deals or Secret Understandings Regarding Macedonia"]

[FBIS Translated Excerpt] [Passage omitted] [Neshkov] Your forthcoming visit to Belgrade is arousing interests both in international circles and in Bulgaria. The Bulgarian public would find it interesting to hear your view on Belgrade's recent initiatives toward forming some kind of Balkan alliance. What do you expect from your Belgrade visit and the Serbian initiatives?

[Granic] Regarding my visit to Belgrade, it is only being arranged, and no date has yet been set for the visit. We will discuss all the issues that remain open between Zagreb and Belgrade, of which the most important as far as we are concerned is mutual recognition. However, we are also prepared to discuss any other open questions.

Regarding the second part of your question, we support good cooperation and good neighborly relations with all neighboring states, and oppose the formation of any alliances. Croatia wants us all to be part of an integrated Europe one day.

[Neshkov] Certain circles in Bulgaria are talking about secret understandings between Zagreb and Belgrade that even concern the future of Macedonia [The Former Yugoslav Republic of Macedonia, FYROM]. What do you think of these rumors?

[Granic] They are merely rumors. No deals or secret understandings exist regarding either Bosnia or Macedonia. Regarding Bosnia-Herzegovina, Croatia supports the Washington Agreement and the Contact Group plan. We also support the territorial integrity and sovereignty of Macedonia, with which we are developing good relations. In contrast to these rumors, Croatia has signed five or six agreements with Macedonia and sent its ambassador there.

Croatia also wants to develop good relations with Bulgaria, and we believe that no obstacles exist to developing good political and economic relations.

[Neshkov] What viewpoint do you have on Bulgarian-Croatian relations, and how do you assess their state at the moment?

[Granic] As regards relations between Croatia and Bosnia, they are good, but we think that they can be improved further. We have no unresolved issues with you. Our Former Prime Minister Franjo Greguric and Constitutional Court Chairman Jadranko Crnic paid visits to Bulgaria, and I myself was there at the invitation of Foreign Minister Daskalov. Katica Ivanisevic, chairman of the lower chamber of the Croatian Parliament, and Deputy Foreign Minister Dr. Ivo Sanader also visited you. We are now waiting for a visit by top Bulgarian state officials. We have issued invitations to Bulgarian President Zhelyu Zhelev, Prime Minister Zhan Videnov, and Foreign Minister Georgi Pirinski to visit us. We believe that their visits and the signing of the 14 bilateral agreements that have been prepared will contribute to improving bilateral relations, especially in the economic field and cultural relations.

[Neshkov] How can we expect relations to develop between our two countries in the near future?

[Granic] We want to cooperate with Bulgaria, first and foremost in the economic and cultural fields and in the processes of European integration, because we have common interests in these areas. From the political aspect, it is very important for us to develop good friendly relations with Bulgaria, which are not to the detriment of any third country. We are striving to establish good neighborly relations with all countries, and we will orient our foreign policy toward Bulgaria and all the other countries in this spirit.

Finally, I would like to say that we regard Bulgaria as a friendly country and are sure that our relations will improve even further, as no obstacles to this exist. Our relations at present are warm and extremely correct and I would merely add that we expect still more from our economic cooperation, especially after the agreements are signed.

Martic to Zagreb: 'Keep Your Hands Off Krajina'

AU2202215095 Novi Sad DNEVNIK in Serbo-Croatian 21 Feb 95 p 2

[Interview with Krajina Serb leader Milan Martic by S. Risovic, in Knin on 20 February: "Keep Your Hands Off Krajina!"]

[FBIS Translated Text] Knin, 20 Feb—There is still plenty of time until 31 March, particularly when it comes to the circulation of diplomatic moves. However, people in the republic of Serbian Krajina [RSK], although worried, are waiting for the international community to make a determined move and force Croatia to revoke its decision on canceling the blue helmets' mandate. Speaking about possible developments after 31 March, Milan Martic, president of the RSK, said:

[Martic] We are waiting for the international community to do something as the largest part of the responsibility lies with the international community, which is the guarantor of peace according to the Vance plan, and has to do everything to make sure that peace is not disrupted. We are leading normal lives, completely normal lives, as if there will not be a war with Croatia but, on the other hand, we are preparing as if the war will break out tomorrow. Croatia has to understand one thing: There will be no more coexistence, but as neighbors we can serve as an example even to Europe. The Serbs never wanted a war in this region, and they would sooner opt for eternal peace not only here but everywhere in the world.

[Risovic] Croatia has been massing its armed forces along the border with the RSK. Is there any danger that they might, together with the Muslims, launch a joint attack on Posavina with the aim of cutting the corridor that connects the two Krajinas with mother Serbia?

[Martic] Keep your hands off Serbian land! This is my message to the Croatian leadership. They can do everything, including attack us, and try to cut the corridor. However, if they attack us, they will be met by an adequate response from the Serbian people west of the Drina. The Prijedor Declaration obliges the Serb Republic to come to our aid. Even if that declaration did not exist, we would still join forces against any aggression. If the Croats and the Muslims can forge military alliances and political and state coalitions, I do not see why the Serbs could not unite in the defense of their vital national interests.

[Risovic] As a signatory to the Vance plan the FRY [Federal Republic of Yugoslavia] is in a way a guarantor of the safety of the Serb people in the RSK.

[Martic] Yes, the FRY is a guarantor, one of the guarantors of peace in this region. However, even if the UN Protection Force [UNPROFOR] withdraws, it still does not mean that there will automatically be war. But UNPROFOR is absolutely essential, and it would be hard without it. The withdrawal of UNPROFOR would lead to a catastrophe, because if Croatia goes for the war option in solving all the issues with the RSK, the war would spill over into all the other parts of former Yugoslavia. The international community is the only one that can and must prevent the outbreak of a wider war. The only way to do that is for the Security Council to decide on the extension of the UNPROFOR mandate in the UN Protected Areas so that the already started negotiations on the normalization of economic relations between the RSK and Croatia could continue in a more tolerant atmosphere.

[Risovic] When are the "burning" political issues going to be put on the agenda?

[Martic] We have frozen all contact with Croatia because of the Croatian decision to cancel UNPROFOR. So until Croatia changes its decision there will be no negotiations on anything, including political issues. We never even looked at the plan of the mini Contact Group. Why should we when it prejudices the political solution, that is, when that plan reintegrates the RSK into Croatia's state and legal system? That is out of the question. We are not crazy to give up so cheaply everything that we have achieved so far, and we have achieved a state of our own—the RSK.

NATO Sends Mission To Discuss UN Withdrawal

AU2202200295 Paris AFP in English 1916 GMT 22 Feb 95

[FBIS Transcribed Text] Brussels, Feb 22 (AFP)—NATO has sent a team of political and military experts to Zagreb to discuss facilities Croatia could provide in the event that all UN troops were pulled out of former Yugoslavia, diplomatic sources said here Wednesday [22 February].

The team was completing its mission late Wednesday and will report on its talks with Croatian officials to the next NATO ambassadors' meeting, the sources said. Zagreb officials were said to have responded "favourably" to a NATO request to set up communications facilities in Croatia as a first step to a UN withdrawal.

President Franjo Tudjman has ordered a pullout of UN peacekeepers from Croatia by June 30, a development which officials of the North Atlantic Treaty Organisation believe could make the UN peacekeeping mission in neighbouring Bosnia-Herzegovina impossible and lead to a complete UN withdrawal from former Yugoslavia.

Memorandum With EU PHARE Commission Signed

LD2202210795 Zagreb HTV Television in Serbo-Croatian 1830 GMT 22 Feb 95

[FBIS Translated Text] An aide-memoire between EU's PHARE [Economic Reconstruction Aid for Poland and Hungary] Commission and representatives of the Croatian Government has been signed in Zagreb. The document defines long-and short-term priorities for Croatia. Its significance is seen in the fact that Croatia will soon gain official support of the PHARE program and the EU Commission is to send a program mission that will agree with the Croatian Government representatives a draft national program for 1995 and send Croatian expert and technical missions to Brussels to be acquainted with details of the PHARE program implementation.

Albanian Delegation Meets With Gligorov

AU2302103295 Pristina KOSOVA DAILY REPORT in English No 558 22 Feb 95

[FBIS Transcribed Text] As reported, the FYROM [The Former Yugoslav Republic of Macedonia] police arrested yesterday Mr. Nevzat Halili, chairman of the Party for Democratic Prosperity [PDP]-Party for Peoples Unity. It has also been reported that the police have arrested yesterday Mr. Musli Halimi, professor with the Faculty of Law at the Tetovo University, whereas the correspondent of the RILINDJA newspaper in Skopje, Mr. Ramush Tahiri was reported summoned for interrogation at the police station.

The news on the arrest of Mr. Nevzat Halili was confirmed yesterday by his party's officials. The Skopje-based Albanian language newspaper FLAKA reports today that the situation in Tetovo has deteriorated amid these arrests. In spite of these arrests, a delegation of Albanian political subjects composed of Mr. Abdurrahman Aliti, chairman of the PPD [Popular Democratic Party], Iljaz Halimi, chairman of PDP, and Ms. Muqereme Rusi, chairlady of the Albanian Women League, met yesterday with FYROM President Kiro Gligorov.

Mr. Halimi, in an interview to BBC did not reveal any details from the meeting on any possible agreement or arrangement. Chairman of the PDP, Mr. Aliti, told KIC [the Kosova Information Center], however, that he was indignant by the yesterday's arrests. He said that his moves do not lead toward the improvement of the situation but rather toward its deterioration. He also said that he was going to request certain clarifications from the FYROM authorities. Mahmut Jusufi, defending lawyer to the Rector Fadil Sulejmani and the detainees: Milaim Vejziu, Arben Rusi, and Arben Murtezani, said that he had met his clients in detention in Shkup and that he expected his clients be interrogated today.

As reported, ethnic Macedonian associations and political parties in Tetovo have been expressing their support to the FYROM authorities in respect with intervention against the Albanian language university. Today's issue of FLAKA carried a press conference of the FYROM Prime Minister Branko Crvenkovski and quoted him saying that the issue of education in Albanian language must be solved in compliance with the constitution. He was reported saying that there was a special article in the constitution on the right of minorities to elementary and secondary education. He also said that the reaction of the public opinion after the events in Tetovo was not sincere, especially in the Albanian press. The situation in Tetovo continues to remain tense and volatile.

MIC Confirms Arrest of PDP Leader Halili

AU2302101595 Skopje MIC in English 22 Feb 95

[FBIS Transcribed Text] Nevzat Halili, leader of the new political party of the Albanians in Macedonia PDP [Party for Democratic Prosperity]-National Unity, was arrested by the police yesterday morning.

Nevzat Halili was directly involved in the events around the university, particularly in the village of Poroj, where he lives.

Albanian Parties Suspend University Classes

LD2202194095 Belgrade TANJUG Domestic Service in Serbo-Croatian 1424 GMT 22 Feb 95

[FBIS Translated Excerpt] Skopje, 22 Feb (TANJUG)—On the orders from Shqiptar parties, "classes" in the ethnic "university" in Tetovo will not be held until further notice, TANJUG learned today. [passage omitted]

Abdurahman Aliti, the leader of the relatively moderate Shqiptar Party of Democratic Prosperity [PDP, Stranka Demokratskog Prosperiteta] and deputy in the Macedonian parliament, reiterated several times the PDP stance for the need for dialogue with the state leadership, including President Kiro Gligorov, in order to find "a rescue package."

All Shqiptar parties in the FYROM [The Former Yugoslav Republic of Macedonia] share the common stance that the idea of having their "university" cannot be abandoned. Arben Dzaferi, the leader of the renegade radical faction of the PDP, also a deputy in the Macedonian parliament, spoke openly about future moves for activating "the university." He said that they will not give up on "the university," and distance themselves from the arrested dean, Fadil Sulejmani. Criminal proceedings have been launched against Sulejmani and four other members of "the university's" administration. [passage omitted]

Macedonian national political groups in Tetovo and Gostivar have pointed to the danger of the authorities reacting too slowly, recalling that timely warnings were issued in all areas and at all levels of the western part of the state about everything that is now happening.

At the same time, they have again drawn attention to the fact that behind the alleged concerns about high school education there lies concealed "a political scenario for the creation of a so-called Shqiptar Ilirida on the territory of Macedonia."

The session of parliament scheduled for today and tomorrow has been postponed at the request of deputies' groups. Some observers in Skopje are assuming that this pause will be used to further alleviate tensions and persuade Shqiptar political leaders to tell their deputies not to leave the Assembly, as they intimated they would after the armed clash with the police in Tetovo.

MP's at Tetovo Assembly Walk Out Over University

LD2202204895 Belgrade TANJUG Domestic Service in Serbo-Croatian 1744 GMT 22 Feb 95

[FBIS Translated Excerpt] Skopje, 22 Feb (TANJUG)—The Macedonian-Albanian split in The Former Yugoslav Republic of Macedonia [FYROM] today spread to the deputies of the Tetovo Municipal Assembly who called an urgent session to discuss the tensed situation concerning the ethnic university, TANJUG has learned.

At the beginning of the session Municipal Assembly President Sacir Aliti, together with Shqiptar representatives who form the majority in the Tetovo Municipal Assembly, attacked the authorities in Skopje for causing bloodshed in the nearby village of Mala Recica last Friday, in which one demonstrator was killed and 20 people wounded.

An attempt by the Macedonian deputies' bloc to draw attention to the tendentiousness of such blanket statements, and describe as untenable the support for unconstitutional and illegal activities in connection with the ethnic university and demands for the release of all arrested persons failed to obtain a response from the Shqiptar majority. For this reason the Macedonian deputies this afternoon walked out of the session that resumed with only Shqiptar deputies in attendance.

This afternoon the St. Cyril and St. Methodius student organization of the Skopje university announced to journalists, professors, and the faculty leadership its reaction in connection with the attempt to set up an "illegal university in Tetovo alongside their own one." A mini protest meeting against the opening of the ethnic university was called for tomorrow at midday outside the republican parliament building. [passage omitted]

PDP Leaders Meet OCSE Envoy

AU2202134095 Tirana TVSH Television Network in Albanian 1900 GMT 21 Feb 95

[Telephone interview with PDP Deputy Chairman Mendu Thaci by an unidentified correspondent; place and date not given—recorded]

[FBIS Translated Text] Reports from Tetovo confirm that there had been other arrests of Albanian activists. It is said that Nevzat Halili has been arrested. Party for Democratic Prosperity [PDP] Deputy Chairman Mendu Thaci will give more details via the telephone line:

[Thaci] Currently, calm has been established, despite the fact that the Macedonian police continue their actions. The situation [words indistinct] tense. They have started to arrest other people and perpetrate raids. According to reports available by us, former PDP leader Mr. Nevzat Halili and Magistrate Mukri Halili, professor of Roman Law at the Jurisprudence Faculty, have been arrested. There are also unconfirmed reports of other arrests.

Last evening, the PDP leader Mr. Arber Xhaferri and I met Mr. Van der Stoel [OSCE high commisioner for national minorities]. Once again, Mr. Van der Stoel reiterated that the Albanians' demand for a university is a legitimate demand. However, he insisted that this should be carried out in the framework of institutions if possible—which we agreed with.

Our demands were, however, directed in the spirit that, in order to first start talks on normalizing the situation, an atmosphere of understanding should be created by releasing Professor Dr. Fadil Sulejmani and others from prison and allowing the university to operate under normal conditions. Talks on the ways of introducing the university or incorporating it into the education system of Macedonia [The Former Yugoslav Republic of Macedonia] could then be initiated among political structures, in which university representatives would be able to participate.

Education Minister on Ethnic Issues

95P20530A Skopje NOVA MAKEDONIJA in Macedonian 8 Feb 95 pp 11, 13

[Interview with Dr. Emilija Simoska, minister of education and physical training, by Biljana Jovanovska; place and date not given: "Autonomy of the University, Control of the State"]

[FBIS Translated Excerpt] Exactly 48 days ago, Dr. Emilija Simoska exchanged her position as director and chair of the Center of Ethnic Relations at the Institute for Sociological and Political-Legal Studies for the hot seat at the Ministry of Education and Physical Training. Time to adjust was practically nonexistent because of the abundance of problems erupting there—problems for which decisions have often been politically controversial. Dr. Simoska is among the youngest ministers in the new government and is the only one without previous political experience.

[Jovanovska] Almost from the day you assumed the ministerial post, you have been beset by problems, among which the most serious is that of the Pedagogical Academy "Sv. Kliment Ohridski." During the past month, there have been a growing number of letters circulating and various meetings taking place behind closed doors, but, as yet, there have been no concrete decisions. Does a legal remedy exist for instruction in the languages of the ethnic groups?

[Simoska] The question in this case does not lie in legal modalities. Let us harbor no illusions; the issue is [to find] the good will to resolve this problem in a reasonable time period so that the students do not lose the entire year. And all the correspondence you have referred to, the letters sent by the Ministry, and the conversations which were carried on were all directed toward that end. We already had too many schools in which we were burdened with problems; it would have been imprudent to allow yet another generation of students to forfeit the opportunity to study, a group that was enrolled in a highly regular fashion at the Pedagogical Academy. A bit of disinformation must be reputed here—disinformation that explicitly or implicitly has appeared in the media to the effect that the Ministry demanded something new at the Pedagogical Academy. From the moment I became acquainted with the case, the situation was such that hundreds of [ethnic Albanian] students, each with an index [student identification and record of grades] in hand, could not be presented at the Minisry of Education, only at the Pedagogical Academy, and were outside the educational process. While the entire semester ran its course, the ministry called on the Educational Council and the academy to act in accordance with the decision and to make it possible for the students not to lose the year. The ministry does not have the authority to introduce a new group or to enroll students, but it is authorized to call upon all institutions that are within its jurisdiction whenever they fail to act in accordance with the conditions necessary for their existance. The entire correspondence is in this framework. The misunderstanding that developed stemmed from this problem on four sides: the Pedagogical Academy, the [Skopje] University, the Ministry of Education, and the Ministry of Justice. Parallel with the competition for admission which was conducted by the University, there was a concept for educating pedagogical and instructional personnel from the ethnic groups. Generally speaking, we did not dispute this concept as it was presented publicly, nor did we concern ourselves with it since it was not put into practice. It will come to life next year, or perhaps the following year, and we will discuss it later. At no time did the ministry have the idea of destroying the concept of the university. [passage omitted]

[Jovanovska] In connection with this [problem of the pedagogy students] and what we can call a political decision about education in the languages of the ethnic groups, is the door now open for the eventual survival of the self-proclaimed Tetovo University?

[Simoska] On the contrary, it means the closing of the doors of the so-called Tetovo University. You know the argument about the founding of that university, which, among other things, involved the need of the Albanians for education in the realm of higher education. Their argument was that they did not have such an opportunity. Our argument with what you have termed an illegal institution proceeds along two directions. First, it is an issue in that this initiative is not in accordance with the Law [on education], and second, it is possible for Albanians to participate in the lawful educational system in the Republic of Macedonia [The Former Yugoslav Republic of Macedonia]. In the case of the Pedagogical Academy, to the extent that in the past, such a recourse was impossible, we no longer need to deal with that argument.

[Jovanovska] The incidents involving the Pedagogical Academy have given the impression to the public that something is not in order in the relations between the ministry and the university, or more precisely, its [university's] administration.

[Simoska] The ministry and the rectorate has a meeting for the first time a few days ago to discuss this issue. We must work together and coordinate in order to formulate some decisions in that area so that it will be possible to say that there is no intention on the part of either party to obstruct the work of either institution. I repeat, the problem began when the Pedagogical Academy continually referred to the university, thus creating the impression that a dispute existed between the university and the ministry. And I emphasize that the ministry asked exclusively for the adherence to an internal regulation made by personnel not belonging to the university. Not a single member of the university depends on the opinion of the university with respect to the admission of personnel.

[Jovanovska] There was much controversy about your selection as minister. More precisely, it was said that you had an extremely flexible attitude toward minorities, and that there was some manipulation for the possible satisfaction of their specific demands in the sphere of education.

[Simoska] Unfortunately, that flexible attitude toward minorities was used more as an argument "against" than "for" me. This is truly a disappointment to me, especially if there were any truth to the fact that the rumors have sometimes circulated in the circles where they were least expected. The flexible attitude emerges from the basis value that we have proclaimed in this country as an official value, that is, the cohabitation that we talk so much about. As a person who was previously involved in [studying] the feelings and values among minorities and ethnic groups, I personally have seen and can discern much about the needs of these ethnic groups. This is my advantage.

One of the arguments which lead me to accept this position was precisely the purification of the educational system from politics; I am referring to the campaign to separate what belongs to the educational sphere from the political sphere. On this basis, it can be seen where the problems of interethnic relations are located.

Unfortunately, in Macedonia, it appears that every institution and every ethnic group, from elementary and middle school to university, finds in the realm of their educational problems an implicit link to interethnic politics. Does this mean that a flexible attitude should be identified as "national betrayal?" For me, it is entirely clear that an ethnonational traitor can only be he who creates enemies for his own people. All of this emerges from a bad habit of talking constantly about the principle of "giving and taking," as if someone somehow must dispossess something as a right and give it to another and such a relationship is transformed into a market one. On the contrary, no one is getting more or less than that he deserves according to the law. [passage omitted]

[Jovanovska] Returning once again to the subject of the university, how do you consider its autonomy?

[Simoska] I am sure that whether this question is presented to someone from the university or any other citizen, it is impossible to define what is comprehended by university autonomy. This topic, understandably, demands varying interpretations and, to the extent that it is undefined, it is one of the things that should be resolved in the Law on the University as we will be concerned with many practical aspects [of this question] in the future. Autonomy, as it has been undertood up to now, as a common principle in connection with the university, we understand as the noninterference of the state in the substantive issues and in what consitutes professionalism or competency within the limits of the university. But that never implies autonomy with respect to the obligations toward the state, considering that the university is not a private, but a state university. The mechanisms of control are an obligation of the state. In this way, I can tell you also that the university alone will be allowed to define its own autonomy. Consequently, the state will carry out the same obligations and exercise control. The state will not interfere in the autonomy of the university or vice versa. At the same time, in private universities, there are boards that are composed of sponsors and investors. It is the same situation with the state. Because of all this, it [the concept] must be precised defined.

[Jovanovska] While we are on the subject of higher education, let's direct our attention to the education of the ethnic groups. In the desire to allow greater numbers [of them] to enter the university—I am referring here to special enrollment quotas—quality suffered. Do you think that this is the most beneficial way for them to gain access to higher education?

[Simoska] Having the opportunity to consider the special conditions and problems with respect to this question, in my opinion not one method that has been introduced will satisfy everyone. I do not say that it is not feasible to resolve the problem in a specific way, however, we will continue to have dissatisfaction. And when quotas were introduced, Macedonians who believed that they were discriminated against were affronted, and members of ethnic groups who thought that they were to enter in a special quota were placed in some other category apart from other citizens. I emphasize, all of this provoked a psychological effect on both sides, and this is not a beneficial outcome. Meanwhile, we lose sight here of the basic problem: why these students could not pass the qualifying examinations at the university. And here, already it becomes a matter of the quality of previous educational stages. And if, somewhere, something must be done to improve the representativeness of this category in higher education; this means an intervention in the previous two educational stages. Meanwhile, it is not just an educational issue. For the Albanians, there are many problems, and for the others, especially the Romanies [gypsies] for example, we should be addressing the educational question continually.

[Jovanovska] When the ethnic groups in Macedonia are mentioned, one primarily thinks about the Albanians, but what about the others—are they more or less ignored?

[Simoska] The intention of the ministry at the moment is to introduce an harmonious policy to satisfy the educational needs of all ethnic groups. The numerical significance of the groups, however, will imply greater [proportional] inclusion; at the same time, conditions should be created for their participation on an equal basis. [passage omitted]

Illegal Construction in Tetovo, Bitola, Gostivar

95P20528A Skopje VECER in Macedonian 3 Feb 95 p 7

[Article by V. Nedkova: "Illegal Construction—Always Topic Number-One in the Republic: Complete Settlements—Barbaric Buildings!"]

[FBIS Translated Text] **According to data collected by the Republic's Statistical Institute (stale and incomplete) in Macedonia [The Former Yugoslav Republic of Macedonia], there are 1,463 illegal construction sites, and they are most numerous in Tetovo, Bitola, and Gostivar. To resolve this problem, the Ministry of Construction and Urban Planning is preparing legislative and organizational steps, but it is questionable whether these measures will bear fruit.**

Although illegal construction has become an everyday topic here, this building spree is almost constantly redoubling itself because of the holes in the law which allow illegally built buildings to remain for long periods of time and even become legal. This is especially the case because of the lack of coordination among institutions during the issuing of permits and the obsolescence of urban plans—plans which have become contradictory in the existing conditions.

The data indicate that more construction is illegal than legal. According to the only information that is available currently from the Republic's Statistical Institute, 1,463 sites were built illegally in the Republic of Macedonia, of which 1,357 were for individual owners, while the rest were socially owned.

Hundreds of Sites

In first place for the number of "barbaric" buildings is Tetovo with 214, followed by Bitola—162, and Gostivar—95. In Skopje, the Kisela Voda district has 129 "barbaric" buildings. On the other hand, in some opstinas [townships], this phenomenon is virtually unnoticeable, such as in Probistip, where only five illegal buildings are registered. However, in the Ministry of Construction and Urban Planning, there is doubt about the reliability of this data. Their initial appraisal points to an increase. For example, in Tetovo, alone, the number of registered illegal buildings is more than 400.

The sanctions against this phenomenon are within the jurisdiction of the construction-urban planning inspectorate, which mainly resorts to the law on funded construction. This law provides for the demolition of illegal buildings, but there are opportunities during the course of complaints and petitions to avoid demolition. Not infrequently it is just a portion of the site that is in dispute as the citizens have continued illegal construction after the initial legal construction was done. In such a case, complete demolition is practically impossible.

Exacting punishment in the form of fines is largely symbolic. In addition, there is a law on premises and urban planning which treats illegal construction as a criminal act with the possibility of prison sentences ranging from six months to a year, but this law has rarely been invoked in recent years.

Lack of Cooperation

The lack of cooperation among the institutions is especially notable. Illegal buildings *regularly* have access to electrical energy, water, telephone service...or, more precisely, the responsible institutions provide the new occupants without regard to whether the building is "barbaric" or not.

If it is a site designed for commercial activity, it frequently has an operating permit from the Ministry of the Economy, as well as technical and sanitary permits, which were granted without anyone questioning the nature of the site. In this manner, without the required building permits, entire settlements in Skopje (Jane Sandanski, Novo Lisice, parts of Karpos and Vardar) were built, and the necessary documentation was subsequently obtained after construction. But, an increasing number of such buildings remain "barbaric." The importance of having a building permit has become marginalized.

In some opstinas (Tetovo), illegal construction is stimulated by the onerous process of obtaining permits for legal construction, above all because lately the antiquated urban plans have almost made any construction of new buildings impossible. Unable to get building permits legally and pressured by the need to increse living accommodations, citizens have elected to build illegally. This has become a vicious cycle.

To check this "popular" phenomenon, the Ministry of Construction and Urban Planning is already considering measures—some legislative, others in the provision of services. But, if they are to have any pronounced effect, it will be necessary to do much more. Incorporating other ministries, courts, and institutions in the resolution of this problem is essential, and there must be better organized, coordinated work. Along with the sanctions, there must be an efficient system for planning and construction in accordance with the needs of the population, because changes and supplements to the urban plans are long overdue. Unless this is done, the "barbaric" construction sites will remain an unresolved problem which will drag on over the years, and for that, we will be to blame.

Law on Definition, Protection of State Secrets

95BA0100A Skopje SLUZBEN VESNIK in Macedonian No 36, 11 Jul 94 pp 1061-1064

[Text of Government Decree]

[FBIS Translated Text] On the basis of article 16, item 1, section 4, paragraph 9 of the Law on Defense (SLUZBEN VESNIK NA RM No. 8/92) and article 45 of the Law on the Government of the Republic of Macedonia [The Former Yugoslav Republic of Macedonia] (SLUZBEN VESNIK NA RM No. 38/90), the government is adopting a

Decree on the Criteria and Methods for Protecting the Secrecy of Information of Significance for Defense

I. General Provisions

Article 1

This decree prescribes the criteria and measures for protecting the secrecy of information of significance for defense, which are required to be implemented by the state authorities as well as by enterprises, public institutions and services, and the agencies of local self-government units.

Article 2

Information of significance for defense constitute: documents related to defense and their contents, information on the Army's combat and other material resources, facilities and zones of significance for the Republic's defense, and other data and information whose revelation could damage the Republic's defense (hereafter: classified data).

Article 3

Documents of significance for defense are all written, printed, drawn, and photographed materials in the Republic Defense Plan and other documents related to defense.

Article 4

Information on the Army's combat and other material resources consists of all types of movable items intended for the needs of the Army and the state authorities for operation during a state of war, as well as patents of significance for the production of weapons and military equipment, and means and instruments in the research and development process that are intended for defense.

Article 5

Facilities and zones of significance for defense are all types of buildings and other above-ground and below-ground structures, as well as other artificial and natural facilities, along with their zones.

Article 6

Measures and other facts of significance for defense are all types of orders, communications, assignments, data, and information on actions being undertaken and procedures related to defense.

Article 7

The state authorities, enterprises, public institutions and services, and local self-government units, in accordance with the criteria prescribed by this decree, determine for every secret fact the type of secret, the degree of classification, and the measures for protection.

A classification stamp will be placed in a visible location on documents that are designated as classified data of significance for defense.

Information that applies to combat and other material resources or facilities has a classification stamp.

The classification markings on proposals, maps, studies, analyses, and similar documents, as well as technical and other documents on combat and other material resources and facilities, are also placed on all attachments to those documents.

Before communicating classified data at official meetings, making audio or video recordings, and in other cases, those present are first to be informed that the information is classified. The warning has the same significance and the written designation of the type and level of the classification.

Article 8

The designation of the type and level of the classification of information of significance for defense is done by the drafter at the moment when the document or fact comes into existence. The mandatory measures and procedure for the protection of classified data are determined by the official who heads an agency of the state government, the management body or employer at an enterprise or public institution or service, and the managing official of a body at a local self-government unit, or an individual authorized by them (hereafter: responsible individuals).

Article 9

The responsible individuals can make a change in the type of secret and the level of classification that is designated for a certain document or fact of significance for defense, as well as the termination of its secrecy.

Article 10

The obligation to protect classified data of significance for defense lasts until the responsible individuals from whom the information originates determine that the need for their secrecy has ended.

Release from the obligation in paragraph 1 of this article can be given only if it is not contrary to the interests of defense.

Article 11

If the classified data of significance for defense is lost or revealed, the responsible individual will immediately initiate proceedings to determine the circumstances under which the loss or revelation occurred, ensure that the evidence is preserved, and undertake the measures necessary to prevent any possible harmful consequences, and will immediately inform the Ministry of Defense about it.

The Ministry of Defense will keep special records on lost or revealed classified data of significance for defense.

The records on the information in paragraph 2 of this article are to contain: the type of information, the circumstances under which the information was lost or revealed, the measures undertaken, which bodies were informed about the loss or revelation, and a brief assessment of the consequences of the loss or revelation of the information.

Article 12

The state authorities, enterprises, public institutions and services, and local self-government units are required to carry out special measures to protect classified data of significance for defense in their relations with foreign physical and legal persons.

Article 13

Commercial secrets that contain information of significance for defense are considered secret defense information, and are protected in accordance with the provisions of this Decree.

Criteria for Determining the Classification of Information of Significance for Defense

Article 14

Information of significance for defense constitutes a state or official secret.

Article 15

A state secret, for the purposes of this decree, is information of significance for defense whose revelation could result in serious consequences for the defense of the Republic.

On documents that constitute a State Secret, the word "Defense" is placed in the upper right corner, and below it, the classification "State Secret."

A state secret is information that applies in particular to:

1) an assessment of the possible threat to the independence and territorial integrity of the Republic;

2) the Republic's defense plan;

3) documents on readiness measures;

4) documents on the formation of the army;

5) documents on the use of the army;

6) the territorial deployment of the reserves for defense requirements;

7) analyses of the status of preparations for the defense of the Republic;

8) documents on the structure of the territory for the needs of defense;

9) facilities and zones of particular significance for defense;

10) scientific and technical discoveries that can contribute to defense;

11) defense-related intelligence and security assessments and analyses;

12) certain security and intelligence activities; and

13) cryptologic documents and equipment.

Article 16

An Official Secret, for the purposes of this decree, is information of significance for defense whose revelation could result in harmful consequences for the defense of the Republic.

On documents that constitute an official secret, depending on their significance, the word "Defense" is placed in their upper right corner, and below it one of the following three classification levels is designated: "Strictly Confidential," "Confidential," or "Internal."

Article 17

A "Strictly Confidential" official secret is considered to be information whose revelation could result in more serious harmful consequences for the defense of the Republic.

A "Strictly Confidential" official secret constitutes documents and information that apply in particular to:

1) the function of state government bodies during a state of war;

2) production and services by enterprises that are of particular importance for defense, and enterprises that produce products or perform services that are of particular interest for defense;

3) the activity of public institutions and services that have an obligation to continue work during a state of war and that are of particular significance for defense;

4) performance of the tasks of the bodies of local self-government units;

5) the functioning of observation and reporting;

6) the type and amount of commodity reserves for the needs of the defense;

7) scientific and technical discoveries of significance for defense;

8) analyses and assessments of the status of preparations for defense by executive authorities, enterprises, and public institutions and services of significance for defense and the bodies of local self-government units;

9) evacuation of the population;

10) the destruction and incapacitation of facilities and material-technical resources;

11) duties and jobs of particular significance for defense;

12) the names of individuals who perform work and tasks of particular significance for defense.

Article 18

A "Confidential" official secret is considered to be information whose revelation could result in damaging consequences for the defense of the Republic.

A "Confidential" official secret consists of documents and information that apply in particular to:

1) cartographic publications that contain information of significance for defense;

2) aerial photographs of areas of particular significance for defense;

3) the organization of civil defense units formed by the Republic;

4) the types and capacities of natural and artificial shelters.

Article 19

An "Internal" official secret consists of information that is intended for the official use of state executive bodies, enterprises and public institutions and services of particular significance for defense, and the bodies of local self-government units, which, on the basis of its significance, does not constitute the official secrets in article 17 and article 18 of this decree.

III. Mandatory Measures for Protecting the Secrecy of Information of Significance for Defense

Article 20

In order to protect the secrecy of information with significance for defense, general and special measures are to be designated, along with measures for protecting secrecy with respect to foreign and physical legal persons [as published].

Article 21

The general measures for protecting the secrecy of information are:

1) determining the type of secret and the level of classification of the document or fact;

2) designating individuals to work with the classified data;

3) designating the premises, conditions, and means of working with the classified data;

4) designating the way in which the classified data will be used;

5) designating the individuals who can be informed of the classified data, and designating the extent and means by which they are informed;

6) designating the way in which classified data is stored;

7) designating the conditions under which classified data can be taken outside the premises designated for working with and storing classified data;

8) prohibiting unauthorized individuals from approaching and entering facilities of particular significance for defense and premises for working with and storing classified data;

9) prohibiting the recording of classified data and the introduction of instruments and other technical recording devices into facilities and premises where classified data is stored;

10) prohibiting the exposure and display of combat and other material resources and the communication of information about those resources to unauthorized individuals;

11) designating the method and means by which the transfer of classified data can be performed;

12) organizing physical security and using technical and other measures to protect classified data;

13) prohibiting discussion of classified data unless the secrecy of the discussion has been ensured;

14) prohibiting the publication of classified data.

The individuals who are to work with classified data, as well as the individuals who can be informed of classified data, and the extent to which they may be informed, are to be designated by an authorized individual.

The individuals who can work with documents that are part of the Republic's defense plan, and the individuals who can be informed of those documents with permission, are designated by the minister of defense.

Article 22

Special measures to protect the secrecy of information are:

1) keeping special records on the delivery and use of secret documents and information;

2) keeping records on the individuals who have been informed of classified data;

3) storing classified data in steel safes and in special premises especially intended for that purpose;

4) physical security and appropriate technical devices for the protection of premises where classified data that constitutes a state secret is stored;

5) determining the number of copies, putting a number on each copy (serialization), and designating who receives the information;

6) designating that it is prohibited to copy, duplicate, photograph, or make extracts from the document or fact;

7) destruction by commission of working materials on classified data;

8) transferring the data by courier, as well as transferring data that constitute an official secret by a special courier and with an armed escort, using the appropriate technical means of protection;

9) giving a written statement that one has been briefed on classified information;

10) a written transfer of duties between individuals who handle or store classified data;

11) the use of cryptologic measures to transfer secret data by the appropriate technical means of communication.

Article 23

In addition to the measures specified in articles 21 and 22 of this decree, the following are also to be implemented as mandatory measures to protect information about combat and other material resources: preserving the secrecy of the site where they are located, their purpose, and their technical and combat characteristics; designating the parts of instruments that are vulnerable to reconnaissance and fire and a means of camouflaging them; keeping records on the visits to equipment and facilities, and to whom they are shown and on whose order.

Article 24

The obligation to protect classified data on combat and other material equipment arises at the moment that these measures are undertaken and the task of manufacturing or modernizing that equipment is assigned, and at the moment of its procurement, and it lasts until that equipment loses its characteristics as classified data of significance for defense.

The mandatory measures for protecting classified data on combat and other material equipment are implemented by the customer, the producer, the procurer, and the user of the equipment, or the individual responsible for storing the equipment.

The customer is required to designate the measures to protect the secrecy of the equipment from the moment that the work in paragraph 2 of this article is undertaken, until the produced or procured equipment is turned over for use and storage.

The producer or procurer is required to implement the measures to protect the secrecy of the equipment that are designated by the customer from the moment of the commencement of commercial negotiations in connection with the production or procurement in paragraph 1 of this article until the equipment is turned over to the customer.

The user of the equipment and the individual responsible for storing it conduct the prescribed protective measures, and designate additional protective measures in accordance with the specific conditions of use and storage.

Article 25

The mandatory measures for the protection of secret facilities are carried out by the investor, the designer, the participants in the bidding, the project contractors and their subcontractors, and also the user or the person responsible for guarding the facilities.

The investor is required to designate the measures to protect the secrecy of the facility from the moment that the obligation to build it is assumed, until the facility is turned over for use or storage.

The designer is required to carry out the measures that the investor has designated to protect the secrecy of the facility.

The participants in the bidding are required to carry out the measures designated by the investor to protect the secrecy of the facility, from the moment of their participation until the end of the bidding.

The project contractor and the subcontractors employed are required to carry out the measures designated by the investor to protect the secrecy of the facility, from the moment when they start work until the facility is turned over to the investor.

The user of the facility and the individual to whom the facility is entrusted to guard implement measures to protect the secrecy of the facilities from the moment that they assume responsibility for using or guarding the facility.

The obligation to protect the secrecy of the information of participants in the construction of the facilities in paragraph 1 of this article is permanent.

Article 26

In addition to the measures provided in articles 21 to 25 of this decree, in relations with foreign legal and physical persons, the following measures are also used to protect classified data of significance for defense:

1) designating data that must not be communicated to or made available to foreigners;

2) designating the itinerary for the movements of foreigners during their visits;

3) designating and training individuals who will participate in relations with foreigners;

4) prohibiting the involvement of foreigners in scientific research work of significance for defense and other forms of scientific cooperation, without prior approval from the Ministry of Defense;

5) prohibiting direct access to documentation of significance for defense, as well as prohibiting association in official premises, except for those premises designated for that purpose.

Article 27

Individuals who have ceased to have an obligation with respect to implementing the measures to protect classified data of significance for defense are not released from the obligation to protect the secrecy of that data.

IV. Final Provisions

Article 28

When this law goes into effect, the Decree on the Criteria and Measures to Protect the Secrecy of Information of Significance for Defense (SLUZBEN VESNIK NA REPUBLIKA MAKEDONIJA No. 59/92) ceases to be valid.

Article 29

This decree goes into effect on the eighth day after the date of its publication in SLUZBEN VESNIK NA REPUBLIKA MAKEDONIJA.

No. 23-1646/1 4 July 1994

Skopje

Prime Minister of the Republic of Macedonia, Branko Crvenkovski

Kucan To Visit Rome at Scalfaro's Invitation

AU2202195095 Ljubljana Radio Slovenia Network in Slovene 1430 GMT 22 Feb 95

[FBIS Translated Text] Rome neither confirmed nor denied the news published by the Milan paper LA VOCE and the Rome paper LA REPUBBLICA, namely, that President Milan Kucan is to visit Rome after 6 March. The meeting of both presidents is supposed to take place after the session of the EU Ministerial Council, at which a possible beginning of negotiations about Slovenia's EU associate membership will be discussed again.

The papers write that intensive talks have been under way between Rome and Ljubljana lately and that it is almost certain that the meeting of Kucan and [Italian President] Scalfaro will be in Rome. The meeting was supposedly proposed by the Italian president who with it wanted to help improve the relations with Slovenia.

Well-informed circles in the Italian presidential palace confirmed that the invitation had already been dispatched to Ljubljana and that it was supposedly received as a positive sign before the ministerial summit in Brussels. However, the Italian presidential palace did not react officially to the reporting of the Italian press.

Poll: Slovenes Unwilling To Join EU

LD2202213595 Belgrade TANJUG in English 2041 GMT 22 Feb 95

[FBIS Transcribed Text] Ljubljana, Feb. 22 (TANJUG)-—Unlike their political leaders, Slovenians are increasingly ill-disposed toward a possible admittance of their state to the European Union [EU].

According to an opinion poll conducted by Kanal-A Television in the Slovenian capital of Ljubljana, 67 percent of the polled opposed a possible step in that direction while only 33 percent supported the Slovenian leaders' effort to make the country an associated member of the E.U.

Judging by the opinion poll, the Slovenians are becoming increasingly doubtful of their future in the company of the strong European states.

This prevalent view comes merely five years after the Slovenian political leaders launched the slogan 'Europe, Now' in the closing stage of its unilateral secession from the former Yugoslav Federation in 1991.

Slovenia's inclosure in E.U. institutions have so far been thwarted by neighboring Italy, which is making it conditional on an urgent settlement of the outstanding Slovenian-Italian disputes resulting from the disintegration of the former Yugoslavia.

Italy insists that Slovenia, as well as the neighboring former Yugoslav Republic of Croatia, grant civil and national rights to about 25,000 ethnic Italians in Istria and Dalmatia and return the estates, houses and other property to the persons who were expelled from the then Italian regions after World War Two. According to Italian estimates, there is about 350,000 persons falling in that category. Italy also makes Slovenia's and Croatia's admission to international organizations conditional on the settling of territorial disputes in Istria, the peninsula now divided between the two former Yugoslav republics, and Dalmatia in Croatia, that resulted from the disintegration of the former Yugoslavia and raised the question of validity of the Osimo Accords. The Osimo Accords were signed by Italy and the former Yugoslavia in 1975 to settle the question of demarcation and their respective minorities.

The E.U. ministers will debate on Slovenia's possible admittance at a session in Brussels on March 6.

Economic Relations With Former Yugoslav Republics

95BA0156A Belgrade EKONOMSKA POLITIKA in English 16 Jan 95 pp 8-9

[Article by Zmago Herman: "Give Interests A Chance"]

[FBIS Transcribed Text] The topic was normalization of relationships between countries, which used to cooperate economically for almost seven decades within a common state. We discussed it with the President of the Slovenian Chamber of Commerce, who was also the last president of the Chamber of Commerce of former Yugoslavia, Mr. Dagmar Suster.

Dagmar Suster: From the Slovenian viewpoint, this is what the situation looks like: Ten, or rather, eight years ago, when the situation was still relatively normal and free of any burden, Slovenian economy realized about 55 percent within Slovenia itself, some 17 percent in exports, and the rest in other republics of the, common Yugoslav federation. If we express this in dollars, in total realization of 30 billion dollars, exports participated with some five billion and sales to other republics with some 8.5 billion U.S. dollars. It shows how significant realization within the former state was. Today, this figure dropped to some 1.5 billion U.S. dollars, meaning that Slovenia lost the market which stood for over 20 percent of total realization. This material frame is important for other reasons also. In spite of all weaknesses, in former Yugoslavia complementary capacities were built, and economy was interconnected significantly, with a long tradition and technological connectedness, cooperation and similar. This market is lost, on one hand, and on the other, Slovenia imports less goods from former Yugoslav republics. Simply put, from the viewpoint of Slovenia, the larger portion, almost two thirds of all lost markets, refers to the formerly common state.

[Herman] If that is the situation now, what can be expected at the formerly common market tomorrow?

[Suster] During the next few years, there is no chance that all economic connections be rebuilt on a global level. Of course, economic activities have been reduced, and very significant substitutions have been made. New suppliers and new buyers have been found. Still, I believe that in more normal conditions, that is, without current problems such as war embargo, real interest of economy would be to increase present trade significantly, maybe even up to half of the previous cooperation. Provided favorable circumstances in the broader region, everything would depend on one factor only: real economic interest. To that end, of course, states would have to create optimum conditions for reconstruction of some economic cooperation. After that, things would be run by concrete interests alone. I insist on stressing this because I ever more often come across the thesis that no serious trade can be expected because cooperation used to be based on brotherhood and unity. But this is not true. If there was any brotherhood and unity, economic flows were, even in the former state, primarily based on economic interests. In my opinion, it was a significant advantage of that state.

I do not wish to politicize, but from the economic point of view, it was not rational to break apart the common economic area along with the political disintegration of Yugoslavia. It will take us many years to realize a common economic area, let us say, a free trade area, and in five or ten years we might find such an area within the EU. This also is a paradox—we are all longing to enter EU in order to have such an economic area, a free trade zone which we had been building for decades only to destroy it in the end. Yet, we shall be accepted there when others so decide, under conditions arranged by others in accordance with their interests. It is not clever from [an] economic point of view. My pragmatic answer is that all countries made from former Yugoslavia should, for the beginning, build bilateral relationships with, maybe, a higher degree of economic integration. But this must not [be] the thesis which is today used and abused by many, about any kind of reconstruction of Yugoslavia. Slovenian standpoint is quite clear. Free trade zones should be made with Croatia, and with SR [expansion unknown] Yugoslavia. We already have such zones with Macedonia and with Bosnia and Herzegovina. In mutual interest, of course. As I know this economic area well, the idea allows that some special interests of the other party be excluded. If something is deemed problematic, it does not mean that the whole area should suffer.

[Herman] What is the current situation with economic relationships of Slovenia with other republics of former Yugoslavia?

[Suster] We have a free trade zone with Macedonia [The Former Yugoslav Republic of Macedonia], which is, at the moment, limited by measures passed by the Macedonian Government last year. Still, we estimate that economic relationship will normalize within some reasonable limits, because Slovenia has a solid amount of trade with Macedonia. We can substantiate this with arguments which are somewhat paradoxical in themselves. Namely, participation of trade with ex-Yugloslavia in total Slovenian trade is about 15, meaning less than 20 percent of the former 8.5 billion dollars. Yet, with Macedonia, regardless of allocation and transportation problems, participation is significantly larger than average. If we simplify this for illustration purposes only, in spite of all stated problems, Slovenia has the best developed relationship with Macedonia. Relationship with Bosnia-Herzegovina, of course, is governed by understandable reasons.

There are evident problems in our relationship with Croatia, both of political and of economic nature. Problems with Serbia and Montenegro are well known, such as embargo. Only goods approved by UNPROFOR [UN Protection Force] can be sold there. We can conclude that trade with Macedonia dropped radically in 1991 and 1992, but it started growing in 1993, and it still grows. With Croatia, on the other hand, trade decreases constantly this year, even though production grows in this neighboring country.

In ten months of the last year, Slovenia exported goods and services for 5.5 billion U.S. dollars, and will have exported total of 6.7 billion U.S. dollars by the end of the year, according to my estimation. Former Yugoslav countries cover some 850 million dollars of this total, which is a growth also. It is interesting that export to Croatia amounts to 603 million U.S. dollars, which is less than before, to Macedonia 183 million U.S. dollars, which is more, to Bosnia-Herzegovina the unbelievable 52.5 million, which is threefold, and to SR Yugoslavia 10.6 million USD, which is also more, yet it is less than nothing.

For example, Slovenia exports to Germany twice as much as to all countries of former Yugoslavia together. Italy is the second largest export market, and Croatia the third.

Relative vicinity is also underestimated. It is known that majority of trade in the world happens within radius of several hundred, no more than one thousand kilometers. It is a different story when we talk about markets 300, 3.000, or 10.000 kilometers away. What good is it to us that American and Japanese markets are large, when we have to invest much, when logistics, that is, transportation, are too expensive.

Coalition Parties, Finance Ministry Discuss Budget

AU2302102495 Ljubljana Radio Slovenia Network in Slovene 1430 GMT 22 Feb 95

[FBIS Translated Text] At today's first meeting of the representatives of the coalition parties and the Finance Ministry about this year's budget, it was established that, prior to the adoption of the budget, the parties will have to agree on ways to coordinate demands of individual ministries with the possibilities of the budget.

This will be especially difficult this year because there is actually no maneuvering space left. To realize the budget, they will have to agree on ways of shrinking specific national programs and laws on various funds, for example, for defense, education, and other areas.

The Finance Ministry proposed the shrinking of all programs. The ultimate still-acceptable scope of this year's budget would be 511 billion Slovene tolars.

To realize the agreements that fall within the social pact, which is extremely important for this year, it will be imperative to change a package of nine laws, among which the is the Law on Deputies. This law stipulates the way in which salaries of deputies, ministers, public prosecutors, and judges are formed. The Finance Ministry is expected to draft a proposal of more detailed individual budgetary users by Monday.

Federal

TELEGRAF: Success Results in Kozyrev Visit

LD2202203495 Belgrade SRNA in Serbo-Croatian 1906 GMT 22 Feb 95

[Received by Fax]

[FBIS Translated Text] Belgrade, 22 Feb (SRNA)—Slobodan Milosevic, president of the Republic of Serbia, has agreed to recognize Croatia and former Bosnia-Herzegovina in exchange for the complete abolition of sanctions, the FRY [Federal Republic of Yugoslavia] right to succession, and a permanent cease-fire, claims Belgrade's TELEGRAF weekly today.

The weekly has learned from diplomatic sources, insisting on anonymity, that in Karadjordjevo, Milosevic and Russian Foreign Minister Andrey Kozyrev conducted very successful tete-a-tete talks that did not end without a result, as reported hastily by the international media.

The longest ever tete-a-tete meeting in the history of efforts to resolve the crisis in former Yugoslavia produced a new Russian-French-English eight-point plan presented by Kozyrev to Milosevic who agreed to accept it.

TELEGRAF revealed that the plan envisaged a meeting within the framework of the International Conference on Former Yugoslavia before the expiry of UNPROFOR's [UN Protection Force] mandate in Croatia to which the presidents of all former Yugoslav republics will be invited (Izetbegovic for former Bosnia-Herzegovina), as well as FRY President Zoran Lilic.

This will be followed by the mutual recognition of all the states created in the former Yugoslav territory. At the same, time the sanctions against the FRY will be lifted and an agreement signed on an unconditional, immediate, and permanent cease-fire, with the sanctions against the Srpska Republic [RS] remaining in effect until the RS recognized the external borders of the union of former Bosnia-Herzegovina.

The only remaining sanctions—applicable to everyone—will refer to the import of arms and military equipment, while the Muslim-Croat Federation will be guaranteed the possibility of establishing confederal ties with Croatia. The RS could establish similar ties with the FRY only once the status and territorial division of former Bosnia-Herzegovina is resolved through mutual negotiations.

The new plan further envisages that the International Conference on Former Yugoslavia should keep its police and observer forces on all republican borders, while the present UNPROFOR in Croatia will change its name and partially its mandate.

The republics of the former SFRY [Socialist Federal Republic of Yugoslavia] will be bound to recognize all travel documents of citizens from other republics, it is said at the end of the new plan that Kozyrev presented to President Milosevic who, TELEGRAF claims, was so pleased with it that "he proposed that a conference be held somewhere in Russia."

The weekly concludes that "in return for Milosevic's cooperativeness the International Conference on Former Yugoslavia will not dig too deeply into the status of Kosovo and the Albanian question."

Yugoslav Army Armaments, Potential Assessed

AU2202142795 Zagreb GLOBUS in Serbo-Croatian 17 Feb 95 pp 12-13

["Military analysis" by Denis Kuljis: "Yugoslavia's Military Budget Is Half as Large as Croatia's: Serbia Has No Money To Buy Modern Tanks and Missiles Manufactured in Its Own Plants"]

[FBIS Translated Text] What is the true potential of the Serbian military industry as one of the mainstays of Slobodan Milosevic's policy of conquest? A number of new types of weapons, based on projects started over 10 years ago for the Yugoslav People's Army [JNA], were completed in 1994, in the assembly halls of Serbia's "special purpose industry" located mostly in the Morava River valley.

The majority of the new missile systems and artillery weapons were manufactured for antiarmor combat.

Of the leading missile systems for antitank combat, the light, portable Drug antitank system has the farthest range. Its maximum and minimum range falls between 2,000 and 100 meters. It is mounted on a tripod and can also be fitted onto infantry combat vehicles. The system comprises a launcher equipped with a guidance system, an optical device with sights, and a tripod with a tracking mechanism. The guidance is semiautomatic; the target is only monitored through the optical device. Based on the detection of the IC-tracer [integrated circuit] mounted on the missile, the sighting device determines the missile's coordinates and relays the command via a thin cable. The missile-launching mechanism, which is also a supply chamber, is ejected after each launching. Drug is a better system than the outdated Maljutka, but except for improved guidance and simpler handling, there is no significant improvement of its firing capacity or range. Although this is a second generation system, its features do not correspond to the Russian original of which it is actually a copy.

The improvement of the system anticipates an increase in range up to 3,000 meters and a tandem warhead for piercing armor up to 990-mm thick. Although it has been accepted as a combat system, Drug is still not in widespread use in the Serbian Army, and the planned improvements have been postponed. Only the infantry uses it because it still has not been mounted on combat vehicles.

The Serbs Are Lagging Behind

The antiarmor missile system Bumbar is a copy of the Western ERYX system. It is intended for short distance combat, from 60 to 600 meters. A double fragmentation warhead allows it to destroy tanks with reactive armor. The initial fragmentation warhead activates the plate containing the reactive charge, while the second fragmentation warhead pierces the tank's steel armor.

The guiding system is semiautomatic; the signal is relayed from the sighting device with the aid of a microcable. According to the design, the system was intended for both daylight and nighttime use. The missile caliber is 136-mm and it weighs 12 kg. Its maneuvering ability is achieved by the vectorlike thrust of the missile [vektorirani potisk rakete], that is, by curving the booster nozzle. According to the technical documentation, the probability of hitting the target with one missile is 95 percent. The missile can pierce homogeneous steel up to 900-mm thick. The entire system, weighing 15 kg, is manned by a single gunner. Unlike the Drug system, a number of which have found their way to the operative units of the Serbian Army, the Bumbar has not left the testing facilities in Nikinci. Its use has so far not been reported in any operative units.

The antitank M-91 100-mm Topaz gun has been developed on the basis of Russian T-12 and MT-12 antitank guns. The barrel and its ballistic properties are identical. It uses the same type of ammunition: destructive, subcaliber, and fragmentation. Moreover, a special bullet with a heavy metal nucleus has also been developed. The gun carriage has been copied from a D-30 122-mm howitzer. The real improvement is the daylight/night sight and the laser rangefinder. The effective target range is 2,200 meters, while the probability of hitting the target with the initial projectile is almost 70 percent. The maximum range of the destructive projectile is 8,200 meters, while the rate of fire is 6 rounds per minute. The M-92 gun [as published] is actually a compilation of two older types: the T-12 gun and the modern D-30 howitzer with additional improvements. The gun is operational, but so far its use has not been reported in maneuvers or in the Serb Army's operational units.

The main assembly line for the manufacture of large-caliber gun barrels for the JNA used to be in Novi Travnik, so there is no way of knowing whether the Serbs have revived production. Even if they have succeeded in doing so, it is doubtful that the quality and capacity of production would match that of the Novi Travnik plant.

The feature common to all of the new Serbian antitank armaments for clos range targets, except for their scarcity in arsenals, is that they are significantly below international standards. Contemporary tactical demands for antiarmor armaments call for a range of 3,000 to 5,000 meters, and the Serbian weapons cannot exceed 2,200 meters. The relaying of the command signal from the gunner to the missile by way of a wire has been abandoned everywhere in the world. Nowadays, antiarmor missiles mostly use wireless radio, laser, or thermovisual guidance.

The Serbs justify using guidance cables for their missiles because they are less sensitive to jamming, but the truth of the matter is that, despite intense efforts, they have been unable to develop a different type of guidance technology for guiding antiarmor missiles.

In mid-1994, the Serbian industry succeeded in mastering the complete overhaul of the T-55 tank, which is carried out in the Masinska Industrija in Nis. The plant has also completed the project of updating the T-55 tank, started in 1986, which is now called the T-55A.

The same D-10-T2S 100-mm gun has been retained, but a simpler version of the fire control system—taken from the M-84 tank—has been added. Two launchers for antitank Maljutka missiles have been mounted onto the turret, as have smoke bomb launchers. A passive system for guidance, surveillance, and night vision has also been added, as well as a TLD M-80 laser rangefinder. A layer of thermoprotective material has been added to the gun barrel, which makes it appear to be of a larger caliber than it actually is. Another device that has been added is a laser illumination detector.

In order to improve protection, impenetrable 20-mm to 50-mm plates have been welded onto the turret, and the frontal plate on the tank's chassis has been reinforced by adding 15-mm thick armor. The old, 427 kw engine has been replaced by a new, 515 kw one that has added a 20-percent increase in strength. The changes to the tank have decreased its weight to 1,180 kg so that the engine's strength has increased from 11.85 kw to 14.15 kw per metric ton of tank. The overall firing and maneuvering properties of the tank have thus been significantly improved, but there is only one prototype in existence. Serial modernization has not started due to lack of funds.

The modernization of the M-84 tank has also not started although improvements such as the addition of reactive armor and a new loading mechanism for the gun were planned.

Several development programs, commenced for the former JNA, targeted massive antitank combat. However, the onslaught of tank divisions no longer poses the greatest danger for the "Yugoslav Army." Air raids do. The current Serbian military and political leadership is aware that if ever a military intervention takes place in the areas they have occupied, or in Serbia or Montenegro, air raids pose the greatest danger.

That is why the development of the Sava antiaircraft system has been stepped up. It bears the S-10MJ2 insignia, and is actually a copy of the Russian Strela-10 system dating back to the early seventies, for which the former Yugoslavia had a manufacturing license. The system was developed to protect armored-mechanized units and facilities from air attacks from an altitude ranging from 25 to 2,500 meters at a distance ranging from 800 to 5,000 meters. From what can be gleaned from the Serbian specialized literature, the vehicle carrying the system has been changed, so that instead of the Russian one, it uses the chassis of the M-80 transporter, while the combat ammunition capacity has been increased from eight to 10 missiles. There is no reliable information on the extent to which satisfactory results have been achieved in the manufacture of other parts of the Russian system and whether serial production has commenced, but it seems highly unlikely.

A Half-as-Large Military Budget

The former JNA planned to start the licensed production of the easily transportable Igla-1M antiaircraft system, however, there is no evidence that this production has started. It most probably never started, and the Serbian Army only has a contingent procured before war broke out.

The guided, air-to-surface Grom missile is no novelty. It was developed for the Orao assault aircraft almost 15 years ago. The novelty is the modification of the Super Galeb aircraft; the G-4M subtype can carry two such missiles. The missile is fired from a distance of 12 km from the target and an altitude of 6,000 meters. The entire missile weighs 330 kg, while the warhead weighs 104 kg. The missile is guided manually rather than automatically, from the cockpit, so that the pilot or gunner can visually select the target and continuously adjust the flight path. In order to guide the missile correctly, the pilot must decrease the plane's speed to 400 km per hour and keep it in horizontal flight, which makes the plane an extremely easy target for the antiaircraft defense.

In test conditions, the Grom missile does not hit a 10 meter target in about 50 percent of cases.

Therefore, what is actually happening with the Serbian munitions industry?

There can be no question of the revived production of planes or helicopters.

The manufacture of M-84 tanks and the development of the new Vihor tank, personally announced by the former chief of general staff, Colonel General Zivota Panic in 1993, never go off the ground. The overhaul of tanks that are part of the arsenal is currently the top achievement of the Serbian munitions industry.

Explaining the 1995 military budget, Defense Minister Pavle Bulatovic said: "The revival of the military industry for the manufacture of arms and military equipment that used to be manufactured in areas outside the territory of the Federal Republic of Yugoslavia will be almost entirely discontinued, which is why we are going to be without certain strategic hardware and systems.

"The meager procurement of arms and military hardware in this and the next year could put the Yugoslav Army in a technically inferior position in comparison to its environment, while the munitions industry could experience massive unemployment and could lag behind technically."

This means that next year, the Serbian Army will only get funds for salaries, pensions, and food, and not for the procurement of new or the modernization of the existing arsenal. The Serbian military budget half as large as the Croatian budget.

However, the thing that will bury the munitions industry even deeper is the unstoppable departure of expert cadres. Last year, the army lost 29 experts with doctorates, 70 with masters degrees, and 299 college educated experts. Last year, 23 officers and 68 civilian executives and researchers left the Military Technical Institute in Vracar.

The departure of these highly trained experts means that million dollar investment projects will be either stopped or abandoned entirely. We can already say with a great degree of certainty that Serbia, without money coming in from Croatia, Slovenia, and Bosnia-Herzegovina, will never be able to renew its military research or production potential. The significantly smaller domestic market, the total impoverishment of society, and the decrease of the military budget will, in the long run, cause this industrial branch to fall behind and, in certain high-technology fields, production will stop altogether.

Serbia, therefore, will not be massively arming itself with sophisticated latest generation armaments in the near future, but it still possesses a large amount of outdated weapons from the former JNA, and it manufactures rifles, ammunition, and grenades. In the space of a few years, the numerous, but not especially well organized "Yugoslav Army" could turn from a regional superpower to a third-rate, inferior military force of an isolated and backward Balkan state: Time truly is not working for Slobodan Milosevic!

Diplomatic Ties to Kazakhstan To Be Established

LD2302123595 Belgrade TANJUG Domestic Service in Serbo-Croatian 1140 GMT 23 Feb 95

[FBIS Translated Text] Belgrade, 23 Feb (TANJUG)—The Government of the Federal Republic of Yugoslavia today adopted a decision on the establishment of diplomatic relations with the Republic of Kazakhstan at the level of ambassadors.

Serbia

Conflict in Sandzak SDA Discussed

95BA0143B Belgrade VREME in Serbo-Croatian 30 Jan 95 p 26

[Article by Perica Vucinic: "Ugljanin or Ljajic"]

[FBIS Translated Text] The split in the Democratic Action Party (SDA) in Sandzak, seen in personal terms as a parting of the ways between Sulejman Ugljanin, president, and Rasim Ljajic, general secretary, is definitive. This result of the conflict was anticipated and is logical; it was just a question of time.

It was the impatient Sulejman Ugljanin who scored a knockdown in the alleged meeting of the Muslim National Council of Sandzak (MNVS), held 8 January in

Turkey, when the decision was made to remove General Secretary Ljajic. The general secretary learned of his removal on 16 January, when the decision of the symposium held in Turkey was made public by the "coordinating body," a political body directly subordinate to the president, also a brainchild of Ugljanin's political practice, conceived (once again) at a symposium in Turkey.

The political campaign begun in Turkey was carefully planned, but it also showed carelessness typical of politics waged from a distance. The day the "coordinating body" published the decision of its president and his associates, that is, on 16 January, Ljajic was supposed to depart for a lengthy stay in England, and the party rank and file was supposed to be faced with a fait accompli.

Amateurish Work

A trifle that always spoils the job of amateurs, however, occurred: They did not check the "available information." After all, the general secretary had postponed his trip and thus learned from the "news media" that he had been "dismissed from his post" and accused of wrecking the party, holding secret meetings with representatives of the regime, and "activities related to political assassination, persecution, and arrest of legitimate representatives of the Bosnian Muslim people."

This news release from the "coordinating body" was answered by the party's Executive Committee, which is loyal to Ljajic and in a meeting on 18 January assessed the work of President Sulejman Ugljanin to be extremely out of tune with the actions of the party, "and at some points outright destructive." Aside from cooperation with the legal bodies of the party, Ugljanin is also being called upon to submit a report on expenditure of party money over the last 18 months since he left for Turkey. Otherwise, the Executive Committee threatened, it would propose to the Main Committee that it examine his future status in the party. It would not be like the SDA president at all if at this point he filed any kind of report to anyone, unless something unforeseen occurred. After all, Sulejman Ugljanin, former boxer and dentist, affectionately called "Suljo," is on the defensive for the first time in his political career. He has built the image of a political fighter, and that is how the Sandzak Muslims perceive him even after his flight to Turkey on 6 July 1993. However, both the president and his admirers have forgotten that the loyal General Secretary Rasim Ljajic was the main custodian of Ugljanin's charisma.

Sulejman Ugljanin would have to turn up in Sandzak in order to retake the initiative. In that case he would risk being arrested, because the police with a warrant were knocking on his door as the key man in arming the Sandzak Muslims back on 13 July 1993, seven days after he fled. Even those most loyal to him do not believe in that turnaround, however. And those who have been suspicious of Ugljanin for a long time now recall his words at one of the party rallies to the effect that if the Sandzak Muslims had to resettle, he would be the last to leave Sandzak, and then he left not long afterward.

Following the definitive parting of the ways, General Secretary Rasim Ljajic, a 31-year-old physician who studied in Sarajevo, moves out of the shadow of his president's prestige. "We felt that his absence should not be used in political struggle. We wanted to preserve his moral dignity, downgrading all quarrels to ordinary political differences. For the same reasons, we did not enter into a debate with members of the 'coordinating body,'" Ljajic explains.

State of Emergency

For the sake of peace in the house, Ljajic and his like-minded associates (the best known are Smajo Polimac, Alija Mahmutovic, Rizah Gruda, and Zevdzo Huric) have not dramatized the disagreements in the party. It was clear that a parting of the ways was inevitable back in early August of last year, when in a meeting with Muslim leaders of Sandzak—pretentiously called a symposium—the influential Sulejman Ugljanin railroaded through reactivation of a decision to introduce a state of emergency in the Sandzak SDA, which dated back to February 1993. The decision was made in order to get around the party bylaws and thus make it possible for Ugljanin to continue to run the party and party policy practically alone. That is when the five-member "coordinating body" was formed as an executive authority in the field.

The first task of the operatives, the "coordinators," was to propagate the slogan that Ljajic was a Sandzak Fikret Abdic. The secretary responded by calling a meeting of all the opstina committees of the party (only the committees in Sjenica and Tutin failed to respond) in which the decision establishing the state of emergency was revoked, and President Sulejman Ugljanin was called upon to respect the party's legal bodies. Just as at present, with the difference that last August there was hope of reconciliation.

To whatever extent it took on the form of a personal conflict, within the party this is a parting of the ways between the president's authoritarian view and the general secretary's democratic view of the SDA. As far as the Serbs are concerned, this is a split between Ugljanin's undefined policy, spiced with frequent militant outbreaks, and Ljajic's realistic vision of Sandzak in Serbia. Sulejman Ugljanin will unfortunately be remembered for a statement like: "Belgrade has ceased to be the address for resolving our problems." To be sure, he also once said: "We are in favor of beloved Serbia"; however, his political statements seem to be a matter of his mood at the moment, and his policy was day-to-day in the most literal sense. In just the last two months, he has said in the Sarajevo newspapers that Sandzak is an inseparable part of Bosnia-Herzegovina, in Albanian-language newspapers in Kosovo he said that Sandzak would be annexed to Kosovo, and in SLOBODNA DALMACIJA in Split he said that he was dissatisfied with what Alija Izetbegovic had done to solve the Sandzak problem and that Croatia should intercede for Sandzak. While he was in the country, one of his last political acts was to sign the Memorandum on Special Status of Sandzak as the political minimum of the Muslims. Rasim Ljajic saw that same document as an offer for talks with the authorities, and he sees the Serbian and Yugoslav Governments, both Serbia and the FRY [Federal Republic of Yugoslavia], as the political reality in which the best possible place for Sandzak Muslims should be sought through democratization of society and combined political means. That is, the Serbian authorities would find in him a negotiator who would be firm, but correct. Ljajic's last political move was a meeting with representatives of missions of the CSCE in Vienna in the middle of last week. The West has let it be known whom it has chosen for a partner, and Sarajevo also probably made suggestions concerning this choice.

One would say that there is no retreating now for Rasim Ljajic even if that is what he wanted. An occasion is being offered him to correct his mistake made in his student days. That is, five years ago, when he participated in the Founding Assembly of the SDA in Sarajevo, it was he who nominated Sulejman Ugljanin for president of the Sandzak branch of the party.

Montenegro

Status of Albanians in Montenegro

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[Interview with Anton Kol Berisaj, office coordinator of the Soros Foundation for Kosovo, in Pristina, by Skeljzen Malici; place and date not given: "Scutari as a Replacement for Pristina"]

[FBIS Translated Text] Anton Kol Berisaj was born in Prifte, in the Malesija region. He received his degree in sociology at Pristina University, and a master's degree in Zagreb. Today, he is employed as a professor of sociology at Pristina University (Albanian-language instruction in the parallel Kosovo school system). His specialization is family sociology, but he has also studied and done projects on migration, especially of Albanians in Montenegro, on the position of women in transitory societies, and so forth. He is just finishing work on his doctoral dissertation, entitled "Changes in the Family in Malesija," which he is doing with Dr. Vjeran Katunaric at Zagreb University. Anton Berisaj is also employed as office coordinator of the Soros Foundation for Kosovo in Pristina.

[Malici] What in your opinion is the position of Albanians in Montenegro today? Will Albanian-Montenegrin relations develop in the direction of symbiosis or conflict?

[Berisaj] Even in the former state structure the "Albanian factor" had aspects of paternalism, destructiveness, separatism, and so on. You recall the reaction of the public after the protest letter of the Association of Philosophers and Sociologists of Kosovo concerning establishment of the "parallel system" in Albanian schools in Macedonia [The Former Yugoslav Republic of Macedonia]. The four dominant models articulated as the will of the people were nothing but a response to the situation created when we were burned to the quick. An irrational situation was brought about that disrupted the logical sequence of moves and events. The attempt at rational deliberation in similar situations is like walking in the fog, but it is also inevitable. The Damocles sword has been hanging over the head of Albanians in Kosovo for more than a decade; Albanians in Macedonia represent more than 30 percent of the population, but they are exposed to the repressive process of de-Albanization and marginalization to the level of a minor remnant group. Nor is the situation any better in the south of Serbia. The problem of Albanians in Montenegro is to some extent specific, not because the numbers are small so that they do not represent a potential factor for destabilization, but because the political situation in that republic is specific. The specific features of the region are manifested even in the statistics, which show that there are fewer and fewer Montenegrins and Albanians in Montenegro. That is, in the 1948 Census the 342,009 Montenegrins constituted 90.67 percent of Montenegro's total population. In the most recent 1991 Census, they numbered 380,484, which was only 61.84 percent. We note a similar trend between the 1971 Census, when 35,671 Albanians represented 6.74 percent, and the figures of the 1991 Census, when with 40,880 they represented only 6.64 percent. The factors decreasing the total number of Montenegrins include the rapid increase in the number of Serbs (6,707 in 1948, or 1.78 percent, and then 25,854 in 1991, or 9.29 percent; Yugoslavs, which did not exist in 1948, reached a figure of 25,854 in 1991, or 4.2 percent, and so forth). The total number of Albanians has decreased because of the slight increase in the total number of Muslims, who went from 30,665, or 6.5 percent, in 1961 to 89,932, or 14.62 percent, in 1991. I say "slight" because the Albanian population is also affected by the process of migration, which has been going on for all of 25 years. In any case, viewed historically, the life of Albanians and Montenegrins in the space they hold in common has been good-neighborly for a long run of centuries. In waging war against the Turks, the Montenegrins had a particularly reliable ally in the Malisors. In that interval, there was solid interethnic communication with noticeable traces of symbiotic behavior. Traces of bilingualism, characteristic to the greatest degree of Montenegrin inhabitants of Kuce, Fundine, Orahovo, Zeta, Mataguzi, and so on, are disappearing right now. Erdeljanovic's resistance to traces of symbiosis as relevant facts of the joint origin of certain tribes of Montenegro with the Malisors did not stick out like a sore thumb to Cvijic, who was not well inclined toward the Albanian inhabitants either. He elegantly solves the problem of digging about in entrails by regarding the neighbors as inhabitants of the Dinaric zone, omitting the ethnic premises that divide them. We find a similar attitude in Marko Miljanov. Good-neighborliness and symbiotic behavior are replaced by destruction at the moment when imperial Russia, through Serbia, injects the germ of expansionism into Montenegro. Little Montenegro tries and succeeds in satisfying its large appetite with the territories of its ally and neighbor. The increase in the number of inhabitants declaring themselves to be Serbs in Montenegro, the emergence of self-awareness of the people, the rallies, the threats, the searches for weapons, and so on—all of this is aimed at promoting a policy to announce an assault on Kosovo and the Albanians, and it imposes the sense of being threatened. The hasty and extremely amateurish attempt at political organization of the Albanians followed more as a reflex reaction to a serious threat. A population that had been losing personnel and intellectual potential gradually through the process of emigration, when it had such a small percentage in the total population, thus chose the Kosovo model. This kind of strategy offers too strong a dose of ethnic homogenization for the relatively apathetic Albanians in Montenegro. The Liberal Alliance and Reform Forces (now the Social Democratic Party), which are getting votes by offering empty promises (at least for the present), have been taking clever advantage of this. The mistake, then, does not lie in the choice of the model for settling the question of status, but in the procedure that preceded the act of the demand. Following the recent parliamentary elections, the Albanians were left without a representative of their own for the first time, because the policy of quotas is no longer in effect. There is no need for concern about the destructive behavior of Albanians in Montenegro (if that is sufficient for solid interethnic communication!?). Especially not toward the Montenegrins, whose historical need to turn toward their neighbors has been renewed by the period since the antibureaucratic revolution. The Albanians have never betrayed them, not even recently in the referendum and election of the president of the Republic.

[Malici] What, so far, has been the pattern of migration of Albanians from Montenegro, and what have been the consequences?

[Berisaj] Present-day Albanians are leaving (according to a 1983 article in POBJEDA) for greenbacks. Is that really the case? The large-scale emigration of Albanians, in fact, did begin in the period of prosperity. But not prosperity for Albanian border enclaves along the strip of the incredibly rigid border. With the exception of Ulcinj, which for well known reasons felt the breath of civilization and urbanization earlier, the other Albanian settlements began to build the first public facilities of the infrastructural type in the early 1980's, mainly with remittances from their workers abroad. The ghettoized Albanian regions did not experience a campaign to gather up weapons in 1950, the large-scale forcible deportations to Turkey, the organized repression of the authorities, the rigged political trials (except for a few after 1981), which did occur in Kosovo and Macedonia, but they were subjected to the policy of preserving the status quo, specific to that regime. For example, suppressing the opstina status of Tuzi, the only center in Malesija, which had remained the only living monument to the Turkish Casbah, took from Malesija the possibility of integration into the flows of an urbanized and industrialized society. There have been several similar examples. Podgorica, the urban center closest to the Malisor, offers the suburbs of Konik, the Gypsies and newcomers from the north as neighbors, a nonnative language for their children, humiliation, a mocking treatment of the language, culture, clothing, Kosovo, and so forth. The examples are banal, but until the beginning of 1980, aside from the smell of the city dump, which is located next to the Albanian settlements, these inhabitants could also see the nightlights of the capital. You will agree that that kind of exchange would have been too "unprofitable." The very fact that the phenomenon of emigration was persistently covered up, or given that kind of treatment in the public media, tells us enough about its character. It was political rather than economic. Its economic character is a consequence, not a cause. From what I have learned in an interview with Mr. Prenko Nervas, a commissioner of refugee camps for Albanians in Italy for many years, between 1968 and 1975 14,900 refugees were recorded. The Association of Emigre Albanians in Montenegro mentions the figure of 16,113. Be that as it may, about 40 percent of the population moved away, they are still moving away, and we are becoming concerned with this problem only now.

[Malici] One of the acute problems of Albanians in Montenegro is the lack of any autonomy, indeed even opstina self-government. To what extent does that aggravate interethnic relations?

[Berisaj] The model of opstina self-government is predetermined by the new constitution. The vital functions of the opstina have been totally centralized. Except for trivial administrative powers, local deputies have no mandate to make important final decisions. The example of Ulcinj is the best illustration of this. Pluralization of the Montenegrin scene is perceived as the first challenge of the marginalized Albanians, but a deliberate policy that leaves no room for arriving at independent consciousness has always been conducted in Montenegro. The roots run deep. Agrarian reforms and frequent colonizations have not bypassed these regions either. To be sure, except for Bar and, to some smaller extent, Ulcinj, the Montenegrin inhabitants are not anxious to exchange their hills for hills that gravitate more toward Kosovo and Vojvodina. However, the demographic structure of Albanian settlements is nevertheless being altered by the Muslims, who for religious reasons have more prospects to build good-neighborliness. They have been trying diligently to accept the "promising" language in the schools, which are rapidly being opened for them. Only two Montenegrin families live in the region of Malesija, but Serbian-language classes are attended by the Muslim and Albanian children. The powerful propaganda of a lack of promise and deprecation of the professional competence of Albanian personnel has "spread" even to ethnically pure Krajina, where inhabitants of the village Muric have been refusing instruction in their native language. Wonder of wonders! In that politically created artificial (paradoxical) conglomerate of languages, cultures, and interests (in which a teacher of Albanian language in Tuzi sends her own child to a school where instruction is in Serbian), it is difficult to find the most suitable mode for political organization.

[Malici] How does the aggravated Albanian-Serbian conflict in Kosovo affect interethnic relations in Montenegro?

[Berisaj] Montenegro's official policy has always held to the course of perfidious cover-up. It has been reluctant to use the methods of outright repression. It nevertheless did engage in a witch hunt after 1981, when political trials were rigged against a group of teachers in two educational centers (Ulcinj and Plav). Incidentally, I have the impression that this was a reflection of the need to achieve solidarity with "older brother" in the general campaign against Albanians. Montenegro showed its true face, however, in its attitude toward the workers abroad. SUP [Secretariat for Internal Affairs] and its branch known as Matica Iseljenika [emigre organization] were the only institutions concerned about them. And that concern was so dirty that it seemed to be a specialty from a kitchen well known to us. So much for the official policy. In the amorphous mass, which was napping and sinking on its diet of folk junk and commercial trash in the new atmosphere (how far they have gone!), a revolt was awakened against the chill and the identification with Kosovo Albanians. And they were right. What else can they do with their last name and first name, their family, and their language, except to become alienated?

[Malici] In the present Balkan crisis, the Albanians have committed themselves to political weapons of struggle to achieve their aspirations. The world's politicians are paying recognition to Albanian leaders on this account, judging the nonviolent policy to be a wise and farsighted choice. To what extent does that policy square with the traditional idea of the violent and belligerent disposition of the Malisors? How does the present-day Malisor differ from the Malisor of the past?

[Berisaj] Malesija as we know it is only a part of that violent and belligerent Malesija. The way it was cut up disrupted the kinship and tribal structure, hierarchy, and other ancient institutions that took the place of organized government. In return, there still is no sign that new institutions are being installed, at least at the level of (their own) opstina, which would make it possible for these inhabitants to maintain continuity and function as a part of the historical region. This is followed, then, by a process of opening up suddenly, which along the way suffers normal attrition such as that about which we have spoken. Although it is a fact that violence is a segment of necessary defense. If in the belligerent history of this region they did not know how to react and were not lucid, chivalry would not have existed. Malesija is the only Albanian region that enjoyed self-government and autonomy under Turkish rule, and has thus preserved its identity. I doubt that that could have been achieved by the sword alone.

[Malici] Will the opening up of Albania breathe life not only into communication in the Scutari region, but also create conditions for a kind of economic symbiosis of Montenegro and northern Albania? Could the revival of Scutari bring about conditions for normal life in those regions, which are now economically inactive?

[Berisaj] It is realistic to expect constructive trends in this direction. Both sides favor bilateral relations in their official policy. I hope that they are not being forced into this by the sanctions and the illegal trade in oil. Incidentally, it is a favoring circumstance that the severed ties related to economic and cultural affairs and information are now being renewed as the borders are gradually opened up. Scutari is well on the way to recovering its old glamour as the trading and cultural center of this region. It could be a kind of substitute for Pristina, especially for Albanians on this side of the border.

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